

INDEPENDENT PROPERTY MARKET REPORT



Savills (Malaysia) Sdn Bhd

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PRIVATE AND CONFIDENTIALDate: 6th December 2016

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Dear Sirs,

**INDEPENDENT PROPERTY MARKET REPORT FOR THE INITIAL PUBLIC OFFERING OF KIP REIT
 MANAGEMENT SDN BHD**

Savills (Malaysia) Sdn Bhd ("Savills") was commissioned by KIP REIT Management Sdn Bhd ("KIP REIT") to provide an Independent Property Market Report ("Report") for the specific purpose of inclusion into KIP REIT's Prospectus, in connection with KIP REIT's proposed initial public offering and listing of KIP REIT on the Main Market of Bursa Malaysia Securities Berhad. This Report is required for submission to the Securities Commission Malaysia ("SC") and/ or relevant parties, in accordance with the requirements of the Prospectus Guidelines issued by the SC.

It is understood that Pacific Trustee Bhd, being the proposed trustee for KIP REIT, will on behalf of KIP REIT acquire a portfolio of real estate used primarily for retail purposes in the states of Johor, Negeri Sembilan, Melaka and Selangor ("Subject Properties"). Accordingly, this Report aims to provide an overview of the retail property market in the respective states. This will include a macroeconomic overview, regulatory overview, state economic overview and submarket analysis of the Subject Properties.

In accordance with our normal practice, we would state that this Report has been prepared for general information purpose only and do not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and we accept no responsibility to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

Our findings are based on the assumptions given. As is customary with market studies, our findings should be subject to examination at regular intervals.

Offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

Savills (Malaysia) Sdn Bhd (Company no. 333510-P)



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While reasonable care has been exercised in preparing the Report, it is subject to change and these particulars do not constitute, nor constitute part of, an offer or contract. Interested parties should not rely on the statements or representations of fact but must satisfy themselves by inspection or otherwise as to the accuracy. The estimates and conclusions contained in this Report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect.

This Report is subject to the following limiting conditions:

- The projections/estimates made by Savills are based on public and private sources, as well as internal estimates that are subject to change and may prove to be incorrect. Readers of the information should be aware that actual results may differ from those projected/estimated. In light of the limitations on the projections/estimates and information described above, readers are cautioned not to place undue reliance on this information.
- Any plan or map in this Report is included to assist the readers in visualising the Subject Properties. We have made no survey of the Subject Properties and assume no responsibility in connection with such matters.

For and on behalf of Savills (Malaysia) Sdn Bhd

ALLAN SOO
Managing Director

Offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

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1. MALAYSIA ECONOMIC OVERVIEW AND OUTLOOK

1.1 Malaysia Economic Overview

1.1.1 Key Economic and Demographic Indicators

Figure 1-1: Malaysia Economy Overview, 2005 – 2015

Key Indicators	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real GDP at Constant Prices, 2005 = 100	RM 543.8bil	RM 573.9bil	RM 610.1bil	RM 639.6bil	RM 629.9bil	RM 676.7bil	RM 711.8bil	RM 751.9bil	RM 787.6bil	RM 835.0bil	RM 876.8bil
Real GDP Growth (%)	5.3%	5.6%	6.3%	4.8%	-1.5%	7.4%	5.2%	5.6%	4.7%	6.0%	5.0%
GDP Per Capita at Current Prices ²	RM 19,996	RM 21,409	RM 23,617	RM 26,959	RM 24,375	RM 28,733	RM 31,372	RM 32,913	RM 33,721	RM 36,165	RM 37,463
Consumer Price Index, 2005=100	100.0	103.6	105.7	111.4	112.1	114.0	117.6	119.6	122.1	126.0	128.6
Inflation Rate (%)	3.0%	3.6%	2.0%	5.4%	0.6%	1.7%	3.2%	1.7%	2.1%	3.2%	2.1%
MIER Consumer Sentiment Index (as at end of year)	116.1	110.9	110.7	71.4	109.6	117.2	106.3	118.7	82.4	83.0	63.8
Unemployment Rate (%)	3.5%	3.3%	3.2%	3.3%	3.7%	3.3%	3.1%	3.0%	3.1%	2.9%	3.3%
Overnight Policy Rate (as at end of year)	3.0%	3.5%	3.5%	3.3%	2.0%	2.8%	3.0%	3.0%	3.0%	3.3%	3.3%
Average Base Lending Rate	6.0%	6.6%	6.7%	6.7%	5.6%	6.0%	6.5%	6.5%	6.5%	6.7%	6.8%
Exchange Rate, US\$1.00 to RM (as at end of year)	3.780	3.532	3.307	3.464	3.425	3.084	3.060	3.058	3.281	3.495	4.292
Real Domestic Aggregate Demand	7.3%	6.6%	9.6%	6.8%	-0.4%	6.3%	7.8%	10.7%	7.3%	5.9%	5.1%
Approved Investments	n.a.	RM 101.5bil	RM 126.3bil	RM 112.9bil	RM 71.3bil	RM 84.2bil	RM 126.1bil	RM 158.6bil	RM 196.6bil	RM 225.3bil	RM 182.9bil
Total Growth (%)	n.a.	24.4%	-10.6%	-36.9%	18.1%	49.8%	25.8%	24.1%	24.1%	14.5%	-18.8%
Manufacturing - Domestic Investments	RM 13.2bil	RM 25.8bil	RM 16.7bil	RM 10.5bil	RM 29.1bil	RM 20.2bil	RM 34.2bil	RM 20.2bil	RM 21.6bil	RM 32.3bil	RM 52.8bil
Manufacturing - Foreign Investments	RM 17.9bil	RM 20.2bil	RM 33.4bil	RM 46.1bil	RM 22.1bil	RM 18.1bil	RM 21.9bil	RM 20.8bil	RM 30.5bil	RM 39.6bil	RM 21.9bil
Services - Domestic Investments	n.a.	RM 49.5bil	RM 55.6bil	RM 44.6bil	RM 35.4bil	RM 32.7bil	RM 52.5bil	RM 105.4bil	RM 125.7bil	RM 135.7bil	RM 95.9bil
Services - Foreign Investments	n.a.	RM 6.0bil	RM 10.8bil	RM 5.5bil	RM 3.3bil	RM 4.3bil	RM 17.5bil	RM 12.2bil	RM 19.0bil	RM 17.7bil	RM 12.4bil
Gross FDI Inflows	3.9%	n.a.	n.a.	RM 89.3bil	RM 71.3bil	RM 92.7bil	RM 103.1bil	RM 107.5bil	RM 103.7bil	RM 112.1bil	RM 123.4bil
Total Growth (%)	16.7%	n.a.	n.a.	n.a.	-20.2%	30.0%	11.3%	4.3%	-3.5%	8.1%	10.1%
Manufacturing	0.6%	n.a.	n.a.	RM 54.9bil	RM 44.7bil	RM 55.3bil	RM 58.9bil	RM 62.9bil	RM 54.9bil	RM 56.9bil	RM 69.1bil
Services	5.9%	n.a.	n.a.	RM 26.2bil	RM 16.4bil	RM 29.2bil	RM 33.6bil	RM 30.4bil	RM 31.6bil	RM 36.8bil	RM 34.0bil
Mining and Quarrying (including oil and gas)	14.5%	n.a.	n.a.	RM 7.2bil	RM 9.9bil	RM 7.8bil	RM 9.9bil	RM 13.0bil	RM 14.6bil	RM 16.3bil	RM 18.0bil
Construction	19.5%	n.a.	n.a.	RM 0.6bil	RM 0.2bil	RM 0.4bil	RM 0.5bil	RM 0.8bil	RM 1.6bil	RM 1.6bil	RM 2.3bil
Agriculture, Forestry and Fishing	4.4%	n.a.	n.a.	RM 0.4bil	RM 0.0bil	RM 0.0bil	RM 0.2bil	RM 0.2bil	RM 1.0bil	RM 0.5bil	RM 0.1bil
Tourist Arrivals (mil)	16.43	17.55	20.97	22.05	23.65	24.58	24.71	25.03	25.72	27.43	23.14
Tourist Receipts	9.4%	RM 32.0bil	RM 36.3bil	RM 49.6bil	RM 53.4bil	RM 56.5bil	RM 60.6bil	RM 60.6bil	RM 65.4bil	RM 72.0bil	RM 69.1bil
National Population	1.8%	26,045,500	26,549,900	27,058,400	27,567,600	28,081,500	28,588,600	29,117,700	29,647,600	30,261,700	30,996,000
Average Population per Sq Km	79	80	82	83	85	87	88	89	91	92	94
Average Monthly Household Income	7.6%	n.a.	RM 3,686	RM 4,025	RM 4,338	RM 4,611	RM 4,838	RM 5,000	n.a.	RM 6,141	n.a.
Total Household Debt	9.8%	RM 304.2bil	RM 326.5bil	RM 358.0bil	RM 388.5bil	RM 433.8bil	RM 483.8bil	RM 536.4bil	RM 590.8bil	RM 642.1bil	RM 697.6bil
Consumption Credit (Personal Uses, credit cards & consumer goods)	10.5%	RM 43.3bil	RM 49.8bil	RM 56.3bil	RM 63.7bil	RM 72.5bil	RM 83.5bil	RM 96.5bil	RM 109.3bil	RM 126.2bil	RM 143.9bil
Purchaser of Passenger Cars	5.9%	RM 98.5bil	RM 102.3bil	RM 109.5bil	RM 114.7bil	RM 123.5bil	RM 131.1bil	RM 143.9bil	RM 152.9bil	RM 166.1bil	RM 160.7bil
Purchaser of Residential Properties	11.6%	RM 162.4bil	RM 174.4bil	RM 192.2bil	RM 210.1bil	RM 237.8bil	RM 269.2bil	RM 303.9bil	RM 344.6bil	RM 389.7bil	RM 437.0bil
Average Debt Per Capita	8.0%	RM 11,458	RM 12,068	RM 12,985	RM 13,835	RM 15,173	RM 16,647	RM 18,171	RM 19,729	RM 21,217	RM 22,506
Total Household Savings	7.5%	RM 483.0bil	RM 522.6bil	RM 563.4bil	RM 612.5bil	RM 677.6bil	RM 742.0bil	RM 809.5bil	RM 863.0bil	RM 922.6bil	RM 968.9bil
Deposits in Banking System	8.7%	RM 273.6bil	RM 296.1bil	RM 323.3bil	RM 364.6bil	RM 407.8bil	RM 458.2bil	RM 509.9bil	RM 545.2bil	RM 581.5bil	RM 612.1bil
Employee Provident Fund Savings	5.6%	RM 209.4bil	RM 223.4bil	RM 234.1bil	RM 247.9bil	RM 269.9bil	RM 283.9bil	RM 299.6bil	RM 317.8bil	RM 341.2bil	RM 356.9bil
Average Savings Per Capita	5.7%	RM 18,546	RM 19,682	RM 20,823	RM 22,219	RM 23,703	RM 25,531	RM 27,423	RM 28,815	RM 30,489	RM 31,259

Note: ¹ Compounded annual growth rate ("CAGR") applies for earliest to latest available data

² GDP per capita from 2010 onwards were based on latest available data from Department of Statistics, Malaysia ("DOS")

³ Based on Ministry of Finance, Malaysia ("MOF") forecasts

Sources: DOS, BNM, MOF, MIDA, Malaysian Investment Development Authority ("MIDA"), Malaysia Institute of Economic Research ("MIER"), Ministry of Tourism Malaysia, Savills Research



- **Gross Domestic Product ("GDP").** Malaysia's Real GDP registered a growth of 5.0% in 2015 compared with 6.0% in 2014 and 4.7% in 2013. This is also within the MOF's 2015 Real GDP growth forecast of 4.5% to 5.5%. The growth was largely contributed by the continuous growth in domestic demand. According to DOS, Malaysia's economy grew by 4.3% in Q3/2016, supported by the domestic demand and a rebound in net exports. This is within the Recalibrated Budget 2016 targeted growth of 4.0% to 4.5% in 2016. Malaysia's GDP per capita (at current prices) increased by 7.2% year-on-year ("y-o-y") in 2014, to RM36,165 from RM33,721 in 2013. According to the MOF, GDP per capita is forecasted to grow by approximately 3.6% to RM37,463 in 2015.
- **Consumer Price Index ("CPI").** Inflation rate was 2.1% in 2015. RAM Rating Services Bhd ("RAM") expects the inflation rate to average 2.5% in 2016 due to the persistent low oil prices and limited channels for imported inflation. Inflation for the first nine months of 2016 averages at 2.2%.
- **Real Domestic Aggregate Demand.** Domestic demand registered a growth of 5.1% in 2015, compared to 5.9% in 2014. Public consumption has recorded a slower growth rate of 3.0% in 2015 as a result of a moderate increase in government expenditure. According to MOF, domestic demand grew by 4.7% in Q3/2016, driven by private consumption and private investment. The MOF estimates the domestic demand to grow by 4.7% in 2016, with private sector driving the expansion.
- **Private Consumption and Investment.** Private consumption grew by 6.0% in 2015 compared with 7.9% in the previous year, supported by stable wage growth and labour market conditions. During the same period, private investment expanded by 6.4%, driven by capital spending in manufacturing and services sectors. According to BNM, private consumption grew by 6.4% in the third quarter of 2016. Consumer spending is foreseen to be subdued due to the effects of the GST implementation, together with the lower oil prices and weaker Ringgit that is expected to impact negatively on Malaysia's near-term growth prospects resulting in a decrease in its current account surplus. Private consumption and investment are estimated to grow by 6.1% and 5.3%, respectively in 2016.
- **Sector Performance.** On the supply side, all economic sectors recorded higher growth rates in 2015, driven by domestic and external factors, and led by the services and manufacturing sectors both recording a growth of 5.0% y-o-y. According to the DOS, performance of the services sector was underpinned by wholesale and retail trade, while electrical, electronics and optical products are the key drivers in the manufacturing sector. In Q3/2016, the services and manufacturing sector grew by 6.1% and 4.2%, respectively.
- **Investments.** Approved investments for the manufacturing and services sectors fell by 18.8% in 2015 to RM182.9 billion, mainly affected by the falling oil and commodity prices and the stronger USD. 81.2% of the approved investments comprises domestic investments while the remaining comprises foreign investments. Foreign Direct Investments ("FDI") recorded higher inflows of RM123.4 billion in 2015 compared to RM112.1 billion in 2014, contributed by the manufacturing (56.0% of total) and services (27.5%) sectors.
- **Household Debt.** In 2015, total household debt increased by 8.7% to RM698 billion. Household debt to gross domestic product (GDP) ratio increased to an alarming 89.1% last year. According to the BNM, the ability to service debts remained firm, supported by a broadly stable domestic employment and income outlook. Household savings on the other hand, increased by 5.0% in 2015. Credit risk exposures remained manageable, due to the effect of measures introduced by BNM to curb excessive debt accumulation, such as tightening loan approvals, loan-to-value ratio calculation based on property's net price, and a mortgage assessment on net income rather than gross income. As of Q3/2016, the total household debt registered at RM727 billion.
- **Tourism.** The contribution of the tourism industry to GDP was 14.4% (RM166.5 billion) in 2015 compared to 13.7% (RM151.7 billion) in the preceding year. In 2015, the contribution of the tourism direct industry (expenditure within the tourism industry) to the GDP decreased marginally to 6.0% (2014: 6.2%). Tourist arrivals stood at 25.7 million in 2015 compared to 27.4 million in 2014, where approximately half of the tourist arrivals are from Singapore. The fall of tourist arrivals was primarily due to the weakening international and local economies, as well as the negative impact from the Flight MH370 incident in 2014. The tourist receipts totals RM69.1 billion in 2015, a fall of 4.0% from RM72.0 billion in 2014.

1.1.2 Federal Level Government Policies and Initiatives

- The government's unveiling of comprehensive packages of economic liberalisation measures since 2009 have made Malaysia's investment market more liberal and on par with similar counterparts such as Singapore in the region. The packages are wide in scope, have a significant impact on the real estate sector may widen and diversify the base of the nation's economy, and encourage the growth of the services sector.
- The New Economic Model ("NEM") was unveiled in 2010 by the Prime Minister. It is an economic plan consisting of a set of comprehensive reform measures outlining the growth strategy for Malaysia by the year 2020. The main goals of the NEM are to:
 - ✦ Transform Malaysia into a high income nation with USD15,000 – USD20,000 GDP per capita by 2020;
 - ✦ Create a sustainable society by meeting present needs without compromising future generations; and
 - ✦ Build an inclusive society by enabling all communities to fully benefit from the wealth of the country.
- The government constitutes four pillars of national transformation under the NEM, namely:
 - ✦ 1Malaysia for the preservation and enhancement of unity in diversity in Malaysia;
 - ✦ Government Transformation Programme ("GTP") for effective delivery of government services;
 - ✦ Economic Transformation Programme ("ETP") for a high income, inclusive and sustainable nation; and
 - ✦ Eleventh Malaysia Plan ("11MP") for macroeconomic growth targets and expenditure allocation.
- Overall, the federal government's initiatives are expected to create jobs and increase disposable income which would create demand and have a positive spill-over effects on the broad property sector. Meanwhile, government policies related to improving infrastructure works are also anticipated to change the retail landscape in the future due to increasing mobility of the population, thereby creating opportunity for commercial properties.
- Figure 2-2 details initiatives from the federal government programmes, as well as annual budgets that are related to the income, property, retail, tourism and infrastructure segments.

Figure 1-2: Federal Government Initiatives

ETP
<ul style="list-style-type: none"> ■ The anticipated economic growth is to be spearheaded by 12 identified National Key Economic Areas (“NKEA”), including oil, gas and energy; palm oil; financial services; tourism; business services; electronics and electrical; wholesale and retail; education; healthcare; communications content and infrastructure; agriculture; and the Greater Kuala Lumpur/Klang Valley. ■ The wholesale and retail sector is identified as one of the NKEAs, and is expected to boost gross national income (“GNI”) by RM156 billion and create 454,190 new jobs by 2020. It aims to improve retailers’ capabilities, explore opportunities abroad and also have plans to remove import duties on luxury goods to increase the affordability for locals and tourists. ■ Entry Point Projects (“EPP”) are set up to ensure the continuous growth of the wholesale and retail sector through three key areas – higher retail expenditure, urbanisation and population growth. EPP under wholesale and retail sector include: <ul style="list-style-type: none"> ✎ EPP1: Increasing the Number of Large Formats Stores ✎ EPP 2: Modernising via the Small Retailer Transformation Programme (TUKAR) ✎ EPP 3: The Development of Community Markets (which has been transferred to the Agriculture NKEA) ✎ EPP 4: Transforming Automotive Workshops ✎ EPP 5: Developing Makan Bazaars ✎ EPP 6: Developing 1Malaysia Malls ✎ EPP 7: Virtual Mall ✎ EPP 8: Facilitating Local Businesses to Acquire Stakes in Foreign Retail Businesses ✎ EPP 9: Making Malaysia Duty Free ✎ EPP 10: Setting Up Wellness Resorts ✎ EPP 11: Organising Unified Malaysia ✎ EPP 12: Transforming KLIA into a Retail Hub ✎ EPP 13: Big Box Boulevards ■ The following are selected policies and initiatives under the ETP which generally affect the property and retail segments in Johor, Negeri Sembilan, Melaka and Selangor: <ul style="list-style-type: none"> ✎ Johor. RM300 million has already been invested in the implementation of Johor Premium Outlets being the first premium outlet centre for the Southeast Asia retail market. It is located in Genting Indahpura, which feature amongst others, a hotel, international theme park and the retail outlet. ✎ Negeri Sembilan. About 11,000 affordable housing units are planned to be built in the Seremban Sentral 1Malaysia People’s housing (“PR1MA”) project in Seremban Utara (formerly known as Ulu Temiang). The development was launched in 2014 and was expected to complete in two-and-a-half years time. Upon the completion of the project, the inflow of population is expected to increase the retail demand within the immediate areas. There has been a delay in this initiative due to the issue on the price of the land between owners Railway Asset Corporation and PR1MA. ✎ Melaka. The policies for Melaka are focused on the tourism sector, where the Ministry of Tourism and Culture has been facilitating an integrated development, Melaka Gateway, to create a tourism island, along with its Malaysia Eye attraction. Future phases of Melaka Gateway would include high-end hotel developments, supporting the retail and other lifestyle attractions. ✎ Selangor. The Mass Rapid Transit (“MRT”) is integral to the success of the Greater Kuala Lumpur/Klang Valley NKEA, which in turn is a key catalyst for the ETP overall. It will be a key driver to support the public transport modal share from 12% currently to 50%. It is expected that a total of RM36.6 billion would be invested by 2020. The High Speed Rail System (“HSR”) is currently under planning stages where the Land Public Transport Commission (“SPAD”) is in discussions with the state and local authorities to finalise the Malaysian alignment. The main objective of the high speed rail is to reduce the travel time between Kuala Lumpur and Singapore to 90 minutes, and to strengthen the link between the two cities. The improved infrastructure is expected to create investment opportunities as well as job opportunities, and have a spillover effect in the property, retail and income segment.
11MP
<ul style="list-style-type: none"> ■ The 11MP is the final 5-year plan before 2020, which aims to provide a platform that allows vital policy shifts and put forth new approaches to achieve the goals set out in Vision 2020. Policies under the 11MP focus on a ‘people economy’, with the goal of providing a better quality of life for all Malaysians. The following are several identified goals under the 11MP: <ul style="list-style-type: none"> ✎ Expand Real GDP by 5-6% per annum ✎ Increase labour productivity from RM77,100 in 2015 to RM92,300 by 2020 ✎ Increase GNI per capita from RM36,937 in 2015 to RM54,100 by 2020 ✎ Increase average monthly household income from RM6,141 in 2014 to RM10,540 by 2020 ✎ Increase the share of compensation of employees to GDP from 34.9% in 2015 to at least 40% by 2020 ✎ Increase the Malaysian Wellbeing Index by 1.7% per annum ✎ Increase labour productivity by 3.7% per annum

Malaysia Budget 2017

- Malaysia Budget 2017 was tabled by the Prime Minister on 21 October 2016. Policies concerning the income and property sectors are as follows:
 - Increase in Disposable Income
 - 1Malaysia People's Aid ("BR1M") for households earning less than RM3,000 per month was increased to RM1,200. BR1M for households with monthly income of between RM3,000 and RM4,000 was raised from RM800 to RM900, while aids for single individuals earning below RM2,000 was raised from RM400 to RM450.
 - Housing
 - Effective 1 January 2017 to 31 December 2018, the government increased the stamp duty exemption on instruments of transfer and housing loan instruments to 100% for houses with values up to RM300,000 for first time house buyers.
 - The rate of stamp duty on instruments of transfer of real estate worth more than RM1,000,000 will be increased from 3% to 4%, effective 1 January 2018.
 - More than a total of 54,850 units of affordable housing to be built, including:
 - 10,000 houses in urban areas for rental to eligible youths with permanent jobs. The young graduates may rent up to a maximum of five years at lower than the market rate;
 - 30,000 units of *Perumahan Penjawat Awam 1Malaysia* ("PPA1M") priced from RM90,000 to RM300,000;
 - 9,850 units of houses under the People's Housing Programme ("PPR");
 - 5,000 units of People's Friendly Home ("PMR"), with up to RM20,000 government subsidy;
 - An introduction of a new special "step-up" end-financing scheme for PR1MA homes to reduce loan rejection rate. It is a collaboration among the government, BNM, EPF, and four local banks, namely Maybank, CIMB, RHB and AmBank. The application process will start from 1 January 2017.
 - The government will provide vacant lands as strategic locations to Government-linked companies ("GLCs") and PR1MA to build more than 30,000 houses, with selling prices ranging between RM150,000 and RM300,000.
 - The government allocated RM200 million for the introduction of MyBeautiful New Home for the bottom 40% of households with monthly income of RM3,900 and below. 5,000 units will be built, priced at RM40,000 and RM50,000 per unit. The government will finance RM20,000, while the owner will pay the remaining of the instalment.
 - Public servants' housing loan eligibility up from between RM120,000 and RM600,000 to between RM200,000 and RM750,000.

Malaysia Budget 2016

- Malaysia Budget 2016 was tabled by the Prime Minister on 23 October 2015. Policies concerning the property retail, tourism and income sectors are as follows:
 - Increase in Disposable Income
 - Effective from 1 July 2016, the minimum wage in Peninsular Malaysia will be increased from RM900 per month to RM1,000 per month and from RM800 to RM920 per month for Sabah, Sarawak and the Federal Territory of Labuan. The new minimum wage will be implemented in all sectors except for domestic maids.
 - Increase in tax relief, such as:
 - Tax relief for each child below 18 years of age is increased from RM1,000 to RM2,000 from year of assessment ("YA") 2016;
 - Tax relief for non-working spouse is increased from RM3,000 to RM4,000;
 - Tax relief for children who provide for their parents is given tax relief of RM1,500 for each parent. The relief is subject to the condition that each parent does not have income exceeding RM2,000 a month and must be 60 years and above;
 - Tax relief for each child above the age of 18 years who is studying at local or foreign institutions of higher learning is increased from RM6,000 to RM8,000, from YA2016.
 - Tax relief for disabled child above the age of 18 years who is studying at local or foreign institutions of higher learning is increased from RM6,000 to RM8,000, from YA2016.
 - Tax relief on study fees is increased from RM5,000 to RM7,000 per year.
 - BR1M assistance for household with monthly income of RM3,000 and below is increased to RM1,000, while for households earning between RM3,001 and RM4,000, BR1M assistance is raised to RM800. Single individuals aged 21 and above with monthly income of less than RM2,000 would receive BR1M assistance of RM400. A new category for BR1M would be introduced for all participants in the e-Kasih database with monthly income of less than RM1,000, providing cash aid of RM1,050, while the Family Bereavement Scheme of RM1,000 would continue for the next of kin of those met in an unfortunate event.
 - Increase in Income Tax Rate
 - Income tax rates for resident individuals whose chargeable income from RM600,001 to RM1,000,000 increased by 1% from 25% to 26% and chargeable income exceeding RM1,000,000 increased by 3% from 25% to 28% from YA2016 onwards.
 - Housing
 - A total of 346,500 units of affordable housing to be built, including:
 - 175,000 units of PR1MA housing;
 - 22,300 apartment units and 9,800 terrace units under PPR;
 - 100,000 units of houses under PPA1M;
 - 10,000 units of *Rumah Mesra Rakyat* ("RMR");
 - The Federal Land Development Authority ("FELDA"), Federal Land Consolidation and Rehabilitation Authority ("FELCRA") and Rubber Industry Smallholders Development Authority ("RISDA") are to collectively build 24,000 units for second generation settlers; and

- Kwasa Land Sdn Bhd and Sime Darby Property Bhd will build 800 units and 4,600 units of affordable houses, respectively, in the vicinity of the Kwasa Damansara MRT station in Bandar Kwasa Damansara.
 - The government has announced a 20% exemption on stamp duty on Shariah-compliant home loans.
 - The government will launch several high-impact property developments to boost domestic investment, including the Malaysian Vision Village, which covers an area of 108,000 hectares from Nilai to Port Dickson, and Cyber City Centre in Cyberjaya.
- On 28 January 2016, the Prime Minister announced the recalibrated Budget 2016. The following highlights initiatives that are related to consumer spending:
- ✎ Reintroduce special tax relief of RM2,000 for individual taxpayers with a monthly income of RM8,000 or below;
 - ✎ The statutory rate for EPF contributions by employees to be reduced by 3% to 8% from March 2016 until December 2017 to increase the people's discretionary income to cope with the rise in cost of living;
 - ✎ Liberalisation of approved permits for agricultural products, including coffee beans and meats, to reduce the cost of daily food items; and
 - ✎ Domestic Trade and Consumer Affairs Ministry to increase the number of affordable shopping outlets such as hypermarkets.

Other Related Initiatives

- Other related initiatives announced in the previous Malaysia Budgets are as follows:
- ✎ **Increase in Disposable Income**
 - One-off cash payment of RM500 to a potential 5.2 million households earning less than RM3,000 per month (Budget 2012);
 - BR1M was expanded to single individuals above the age of 21 with income of not more than RM2,000 a month, providing cash aid of RM250 (Budget 2013);
 - The assistance of BR1M was raised to RM650 for each household earning less than RM3,000 per month, while the assistance for single individuals aged 21 and above with monthly income of less than RM2,000 is raised to RM300. BR1M was extended to households with monthly income of between RM3,000 and RM4,000, with cash aid of RM450 (Budget 2014);
 - BR1M for households earning less than RM3,000 per month was increased from RM650 to RM950 in three instalments in January, May and September. BR1M for households with monthly income of between RM3,000 and RM4,000 was raised from RM450 to RM750, while aids for single individuals above the age of 21 was raised from RM300 to RM350 (Budget 2015).
 - ✎ **Housing**
 - RM543 million was provided to National Housing Department for the implementation of 45 projects under PPR involving 20,454 units which would be constructed through the Industrialised Building System (Budget 2013);
 - The government allocated RM100 million to the Ministry of Housing and Local Government to revive 30 abandoned housing projects. Original house buyers of abandoned projects would be given stamp duty exemption on all instruments executed for the purpose of obtaining additional financing and transfer of the house (Budget 2013);
 - A total of 143,000 affordable housing to be built, including 80,000 units of PR1MA housing, 26,000 units under the PPR, 12,000 units of RMR, 5,000 units of *Rumah Idaman Rakyat* and 20,000 units of *Rumah Espirasi Rakyat* (Budget 2015);
 - The government agreed to extend the 50% stamp duty exemption on instruments of transfer and loan agreements, and increase the purchase limit from RM400,000 to RM500,000, in order to enable more people to own their first home, thus reducing the cost of buying a house (Budget 2015);
 - The ceiling price for My First Home Scheme was raised from RM400,000 to RM500,000 in line with the stamp duty exemption, along with increase of age limit of borrowers from 35 to 40 years old (Budget 2015).
 - ✎ **Infrastructure**
 - RM29.8 billion was allocated for investment in infrastructure, industrial and rural development (Budget 2012);
 - RM2.8 billion was allocated for infrastructure projects in rural areas (Budget 2013);
 - Infrastructure projects that would be implemented in 2015, includes the construction of Sungai Besi – Ulu Klang Expressway (SUKÉ), West Coast Expressway from Taiping to Banting, Damansara – Shah Alam Highway (DASH), Eastern Klang Valley Expressway (EKVE) and upgrading the East Coast railway line along Gemas - Mentakab, Jerantut - Sungai Yu and Gua Musang – Tumpat. For rail networks, infrastructure projects include the construction of the Second MRT Line from Selayang to Putrajaya and the Light Rapid Transit ("LRT") 3 Project, which will link Bandar Utama to Shah Alam and Klang (Budget 2015).

1.1.3 Guidelines Affecting Competition

■ Significant guidelines affecting the retail sector are listed below:

- ✎ **Foreign Participation Guidelines:** The new Guidelines on Foreign Participation in The Distributive Trade Services Malaysia, which is a revision of the previous guidelines 2004, were issued by the Ministry of Domestic Trade, Co-Operatives and Consumerism ("MDTCC") in 2010. These guidelines cover all proposals and ancillary business with foreign involvement, as well as the requirement to obtain the approval of MDTCC for foreign equity in distributive trade. Apart from that, the new guidelines allows all distributive trade format, except for hypermarkets, to be 100% owned by foreign interests. Below are policies that affect the operations of hypermarkets:
 - **Hypermarket Licensing and Registration:** All hypermarket businesses with foreign equity including existing businesses operating under foreign branches must be incorporated locally. The minimum capital investment in shareholders' funds is RM50 million.

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- Equity Policy: The hypermarket format must provide 30% equity for Bumiputra. A grace period of three years for compliance may be given upon approval.
- Environment and Public Interest: Hypermarkets are not allowed to operate within a 3.5 km radius of residential areas and town centres. One hypermarket is allowed for every 250,000 residents.

However, in 2011, the government has reinstated the issuance of new hypermarket licenses to foreign companies instead of swapping existing licenses for new ones as capped in the guidelines.

- **Price Control and Anti-Profitteering Act 2011 ("PCAPA"):** The Malaysian government enacted PCAPA effectively on 1 April 2011 to determine prices of goods or charges for services with the objective of curbing excessive profiteering of essentials by unscrupulous traders and safeguard consumers against opportunistic profiteers especially during festive seasons and times of crisis. PCAPA is meant to prevent businesses from hiking up prices excessively upon the implementation of the GST. The mechanisms to determine unreasonable profit is prescribed by the MDTCC in which the price controller will determine the maximum, minimum and fixed price for goods and services. PCAPA affects both vendors and buyers, and are subjected to various penalties depending on different circumstances. Buyers are liable for prosecution if they purchase or offer to purchase any price-controlled goods or services at prices different from those determined by the Price Controller unless proven innocent.

1.1.4 Infrastructure Development

- Infrastructural development in Malaysia has received the largest share of monetary allocation in public development expenditure over the years. Public spending on public utilities and transport were RM1.5 billion and RM4.9 billion respectively in 2000, increasing to RM4.5 billion and RM8.7 billion, respectively, in 2015. Cumulative spending on these two components were RM46.2 billion and RM124.7 billion from 2000 to 2015 respectively, accounting for 7.2% and 19.4% of the aggregate public development expenditure. It is estimated that the public spending on public utilities and transport in 2016 would be at RM3.6 billion and RM8.4 billion, respectively.
- Going forward, rail-oriented transportation development will be the focus of infrastructure developments, including the following significant projects undertaken by various authorities.
 - Kuala Lumpur-Singapore HSR by SPAD
 - Kuala Lumpur LRT by Prasarana Malaysia Bhd
 - Kuala Lumpur MRT by MRT Corporation Sdn Bhd
 - Singapore-Johor Bahru Rapid Transit System (RTS) by SPAD
- The improved connectivity between Malaysia and Singapore is expected to generate more business engagements which is likely to result in increased job opportunities and income growth.

1.2 Income and Spending Trends

1.2.1 Mean Gross Monthly Household Income

Figure 1-3: Malaysia Mean Gross Monthly Household Income, 2002 - 2014

Location / RM	2002	2004	2007	2009	2012	2014	Compounded Annual Growth Rate (2002 - 2014)
Malaysia	3,011	3,249	3,686	4,025	5,000	6,141	6.12%
Kuala Lumpur	4,930	5,011	5,322	5,488	8,586	10,629	6.61%
Selangor	4,406	5,175	5,580	5,962	7,023	8,252	5.37%
Johor	2,963	3,076	3,457	3,835	4,658	6,207	6.35%
Negeri Sembilan	2,739	2,886	3,336	3,540	4,576	5,271	5.61%
Melaka	2,650	2,791	3,421	4,184	4,759	6,046	7.12%

Source: Economic Planning Unit ("EPU") and DOS, Household Income Survey

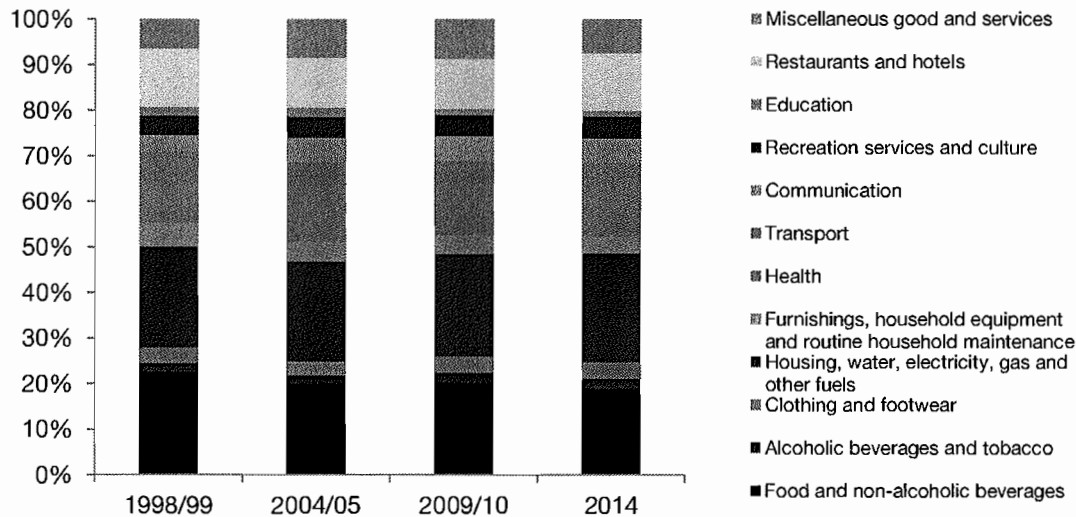
- The Household Income and Basic Amenities Survey is carried out twice in 5 years by DOS, providing data on the income, poverty and basic amenities of Malaysian citizens.
- The national mean gross monthly household income has increased from RM3,011 in 2002 to RM6,141 in 2014, recording a CAGR of 6.12%.
- Mean gross monthly household income in 2014 for Negeri Sembilan and Melaka stood at RM5,271 and RM6,046 respectively, both of which were lower than the national average of RM6,141. Negeri Sembilan's mean gross monthly household income grew by a CAGR of 5.61% from 2002 to 2014, while that of Melaka grew by a CAGR of 7.12% during the same period. At RM6,207, Johor's mean gross monthly household income is higher than national average, with a CAGR of 6.35% from 2002 to 2014.
- In comparison, the mean gross monthly household incomes in Kuala Lumpur and Selangor are substantially higher than other states at RM10,629 and RM8,252, respectively. Kuala Lumpur's mean gross monthly household income grew by a CAGR of 6.61% from 2002 to 2014, while that of Selangor grew by 5.37% during the same period.
- The mean household income levels of Kuala Lumpur and Selangor place both within the higher band of the middle income group (RM5,000 to RM9,999). Conversely Johor, Melaka and Negeri Sembilan fall within the lower to middle income category (RM3,000 to RM4,999).
- This suggests a limited range of brands and generally a lower retail positioning in Johor, Melaka and Negeri Sembilan. Retailers focused on price point strategies such as discounters or bulk merchandising stores will do well in these markets, whereas lifestyle trades may encounter difficulties in being profitable. It is worth noting, however, that aspirational premium brands such as Coach,



Longchamp and Michael Kors, may have market support from the upper middle income group who patronize stores the city centres, particularly in Johor Bahru.

1.2.2 Household Expenditure

Figure 1-4: Malaysia Composition of Household Expenditure, 1998/99 - 2014



Source: DOS and BNM

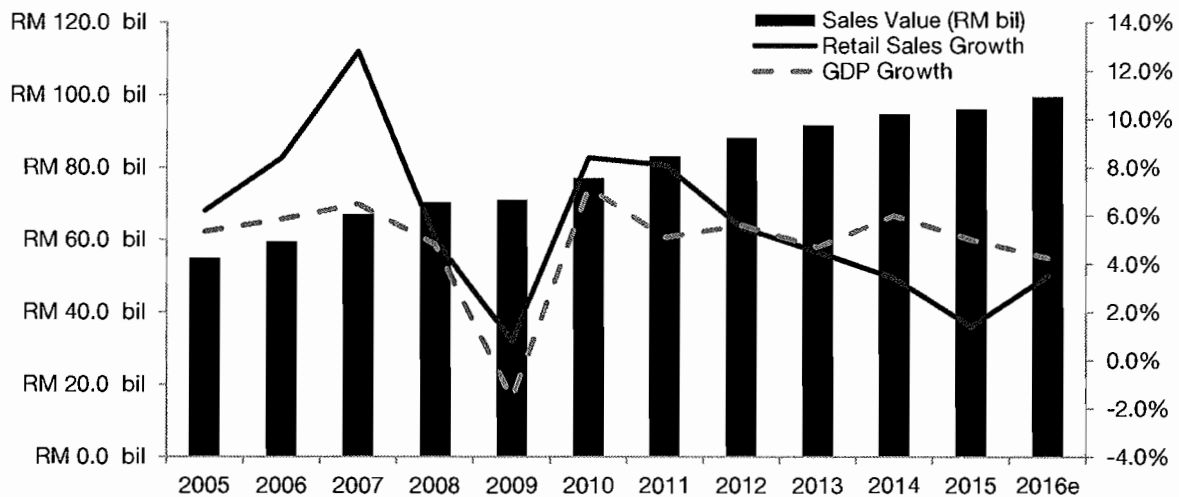
- Based on the most recent Household Expenditure Survey carried out by DOS in 2014, Malaysian households spend, on average, 57.4% of their total expenditure on key items, such as food and non-alcoholic beverages (18.9%), housing, water, electricity, gas and other fuels (23.9%) and transport (14.6%). The total percentage of spending on these key items is marginally lower in this latest survey than in previous surveys (57.8% in 2009/10 and 58.2% in 2004/05). However, this does not necessarily suggest that spending on key items is lower in quantum as income has grown significantly.
- Categories of expenditure that have grown in importance, as a percentage of total expenditure over the past 15 years from 1998/99 to 2014 include communication (+47.2%), alcoholic beverages and tobacco (+21.1%), miscellaneous goods and services (+13.8%) and recreation (+14.0%). This is a characteristic of income growth in emerging economies. As household income increases, the proportion of percentage of expenditure on discretionary items such as mobile devices, beauty services and transport increases while the percentage of expenditure on key items decreases.

1.2.3 Consumer Behaviour

- Malaysia's GDP has grown over 61% since 2005 at a CAGR of 4.9%. Based on the latest official statistics, average household income has also grown by close to 90% from 2004 to 2014, at a CAGR of 6.6%. This has resulted in the retail industry growing as well. The frequency of visits to retail centres is a sign of changing lifestyles – private surveys conducted in the city centre and suburban malls show that average annual visitations to retail centres were both more than 50 times a year, that is at least once a week.
- However, the middle income groups have been affected by inflation with purchasing power shrinking as petrol and utility prices have increased faster than salary growth. This has resulted in price elasticity becoming more pronounced leading to middle income consumers being driven by value-for-money merchandises.
- This has underpinned the rapid growth of hypermarkets and fast food chains in the last two decades as middle income families spend on affordable products, especially necessity items.
- Aside from the economic factors affecting consumer demand, the greater awareness of food safety and health issues has also impacted shopping behaviour. Hence even within the grocery trade, the competition is not only on price but on freshness and quality as well.

1.3 Retail Performance

Figure 1-5: Malaysia Retail Sales Value, Retail Sales Growth and GDP Growth, 2005 – 2015e



Note: e - estimation

Source: DOS, Malaysia Retailers Association ("MRA") and Retail Group Malaysia ("RGM")

- According to RGM, Malaysia recorded retail sales value of RM96.2 billion and retail sales growth of 1.4% in 2015, recording the lowest growth since 2001 and is lower than the estimate of 2.0%. The weak MYR resulted in higher import costs, which led to increased retail prices, causing the purchasing power of consumers to deteriorate further.
- RGM reported that the retail industry sales saw a 7.5% growth in Q2/2016, from a 0.5% growth in the previous quarter. The sector is expected to see a slight pick-up in December, given the school holiday and festive season. It is forecasted that the retail sales for 2016 to grow by 3.5%. RGM believes that consumers will remain cautious with their spending given the current weak economy as well as the expectation of increase in price of retail goods and services before the end of 2016.

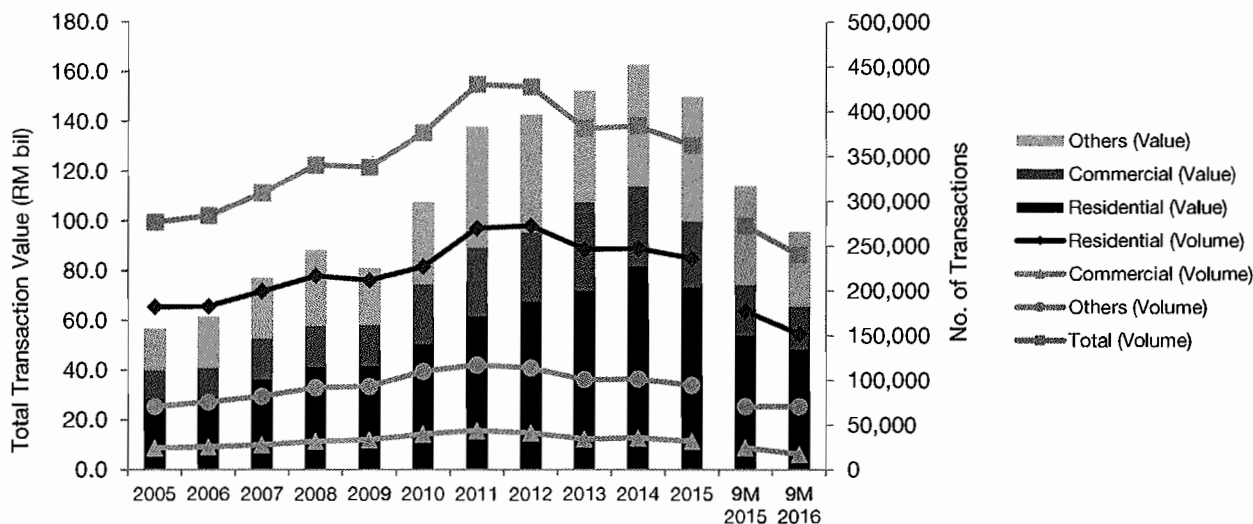
1.3.1 Factors Influencing Retail Demand

- **Economic factors.** Consumer confidence, a critical factor in retail spending, generally moves in tandem with economic conditions. A CAGR of 6.8% from 2005 to 2014 in GDP per capita and average household monthly income from RM3,249 in 2004 to RM6,141 in 2014 (CAGR of 6.6%), have resulted to higher disposable income. Nonetheless, this positive effect is diminished by the inflation in recent years.
- **Demographics.** Malaysia population has a median age of 26.2 years in 2010, with more than 49% of the population below 27 years of age. This young population supports both the housing and retail sectors as the population enters into the workforce and contribute to higher demand. In addition, urban migration is also key to growth in private consumption and retail sector.
- **Ease of credit.** As reported by BNM, consumption credit disbursed, which consists of loans for personal uses, credit card spending and the purchase of consumer durable goods, expanded by around 10% annually between 2006 and 2015. In the same period domestic demand rose accordingly, as shown in Figure 1-1. While the BNM has adopted measures to control household debt which is expected to limit retail spending, the easing in monetary policy such as cuts in statutory reserve requirement will provide more liquidity into all sectors in the market.
- **Infrastructural development.** Easy access to retail destinations creates convenience for shoppers. Projects such as the extension of highways, construction of MRT and LRT lines and other improvement on infrastructure will benefit retail sector as catchment is extended with the improved connectivity.
- **Price and variety.** While the demographic is trending towards a larger middle income base throughout the country, it is one that is increasingly affected by rising prices of goods. As a result, discretionary spending is impacted and the general households are more attracted by value-for-money merchandises and retail formats such as the KiP Marts. The middle class and above are also increasingly exposed to global influence and has developed a more discerning taste, therefore good variety of merchandise is also a critical factor.



1.4 Performance of Real Estate Market

Figure 1-6: Malaysia Property Transaction Volume and Value, 2004 – Q3/2016



Note: Others include industrial, agriculture and development land

Source: Valuation and Property Services Department, Ministry of Finance Malaysia ("JPPH")

- The first nine month of 2016 recorded 240,001 property transactions worth RM95.7 billion, representing a fall of 11.9% and 16.1% in transaction value and volume, respectively, compared to the same period in 2015. 151,738 residential properties were transacted for RM48.6 billion, representing decreases of 14.3% in volume and 10.4% in value against the previous year. On the other hand, commercial properties registered a 15.5% drop in value (RM17.1 billion) and 29.1% decrease in volume (17,461 units).
- In 2015, a total of 362,105 property transactions were registered for RM149.9 billion. The transaction value fell by 8.0% in 2015, compared to a 7.0% growth in 2014. This is the first decline in transaction value since 2009, which declined by 8.3%. The fall in transaction value was primarily due to the residential property market sector which recorded a higher number of transactions priced below RM500,000. However, according to the preliminary Housing Price Index ("HPI") data, the HPI increase by 6.4% in 2015. The decline in transacted volume was a result of the various property cooling measures introduced by the government to curb speculation in the property sector. The Malaysian Industrial Development Finance Bhd ("MIDF") noted that consumers' appetite on big ticket items such as property remains low due to the high household debt and the higher cost of living.

1.5 Regional and Local Retail Trends

- In the submarkets of the big cities, including Kuala Lumpur, there is a strong demand for local or regional merchandise particularly non-branded goods. Whilst the more affluent households will seek out the latest in fashion imports and brands, the lower to middle income groups will gravitate towards value-for-money, non-branded items.
- This behaviour pattern has in fact spawned the growth of bazaar type malls that is based on both a wholesale and retail format. This is a recent phenomenon in the fashion retail industry that has spread in the region, starting from South Korea to Hong Kong, Taiwan, Thailand and more recently in Malaysia. Korea's Dongdaemun Market is famous for its wholesale market and fast fashion, where most of the rest of Asian fashion sources its merchandise today. Fast fashion clothing collections are based on the most recent trends designed and manufactured quickly and affordably to allow the mass market to take advantage of current clothing styles at low prices. Taiwan's night markets are a great draw for locals and tourists alike and Korean goods flourish here as well. Bangkok's Platinum wholesale mall is now the reference point for many developers elsewhere. It has hundreds of small wholesale shop units and is hugely popular with locals and tourists. The attraction is its variety and quantity of cheap fast fashion products. Locally, Kenanga Wholesale Mall in Kuala Lumpur is based on that model.
- The broader trends are that fashion is divided now into two forces, one originating from the west and the other from the east. Designer and fast fashion global brands like Prada and H&M from the west are leading the fashion business worldwide. At the other end, masstige fashion is represented by cheap Asian products with attractive price points seen in Shinjuku and Dongdaemun. The former is epitomised by Pavilion whilst the latter is seen both in Sungei Wang and Kenanga Wholesale Mall.
- In this weakening global economy, the mass market is now more driven by the price factor, where places similar to a bazaar appear cheaper and hence are more attractive to their target markets of lower to middle income groups. This may explain the popularity of some night markets and at the extreme end, Chatuchak Market in Bangkok.
- In Malaysia, this wide base of the lower to middle income group has not been well served, as the majority of shopping centres rely on common brands as their main offering.
- In some ways, a similar trend is occurring within the grocery sector. Whilst hypermarket chains have been able to dominate the market through bulk purchase and low margins, the lack of choice resulting from the reduction in suppliers capable of surviving at such low margins have shifted consumers to unorganised retail such as traditional fresh markets, which offers fresh produce and wider variety of products.

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- Direct-from-source retailing in the form of traders sourcing products directly from farmers and fishermen is another result, and this is manifest now in KIP Marts as well as in some of the lower priced local suburban supermarkets such as NSK Supermarkets, Pasaraya Ong Tai Kim in Danau Kota, Maslee in Tampoi and Taman Dahlia, Johor, Pasar Borong Pandan in Tebrau Pandan, Today's Market in Kota Masai, Leisure Mall in Taman Pelangi, and Supplier's Mart along Jalan Tebrau.
- In the suburban markets, the pressures of inner city congestion and price competition have spawned the growth of a new type of retail centres which combines the attraction of low prices and variety. These community retail centres which capitalise well on the lower to middle market positioning of the hypermarkets. The physical structures are in fact replicas of hypermarkets in terms of being single or double storey warehouse structures with high ceilings and simple finishes. These community retail centres are however operated by single landlords as opposed to stand alone hypermarkets which are operated by the retailers themselves. The major difference in terms of merchandise offerings is both in the content of groceries which is significantly reduced here and in the fresh division which is substituted here by a modern, in-door fresh market instead. Merchandise range is complete albeit in smaller volume, and the advantage is that such community retail centres can offer a wider range of local products compared to the hypermarkets, especially fresh produce. An additional differentiation is in the personalisation of the merchandises as fresh market stalls are operated by traditional market stall holders themselves. To the consumer, the advantage of community retail centres is the wider variety and fresher products and merchandise.
- With these distinct competitive advantages and differentiation, community retail centres represent a viable alternative to the traditional hypermarkets and to neighbourhood centres by providing competitive offering to the lower to middle income groups in smaller towns and secondary markets in the country. These are in fact more sustainable than hypermarkets as the community retail centres can operate in a smaller catchment, while the hypermarkets faces competition in smaller submarkets that cannot support the large format. The failure of Carrefour suggests that the hypermarket category is saturated so rationalisation will continue in this category as competition between hypermarkets further intensifies.
- Community retail centres are multi-tenanted and can command a higher average net rent to its owners than a single tenant like a hypermarket would. Whereas hypermarkets usually pay sub-RM2.00 per sq ft per month rents for an entire 150,000 sq ft building, community retail centres on the other hand can generate average rents of up to RM9.00 per sq ft per month, as shown in the KIP Mart example. The other advantage to the community retail centres' owners is the lower concentration risk of multi tenancies compared with that of a single tenancy in a hypermarket. Nonetheless, in most instances landlords of the community retail centres are responsible for the upkeep and maintenance of the properties, compared to the hypermarket landlords that passed on the cost to the hypermarket tenants.
- Community retail centres are also sustainable investment assets as they are not dependent on the top-ranging retail tenants found in most traditional malls. In the increasingly competitive and over-supplied shopping centre category, intense competition for tenants has resulted in lower rents for new-entry malls and poor occupancy levels at opening. It has also resulted in a tenants' market and landlords have had to give away incentives mainly in terms of rent holidays as well as large capital contributions to shop fit outs. Community retail centres have the advantage in terms of commanding better rents and less capital incentives as the tenants are smaller independents.

2. STATE ECONOMIC AND PROPERTY MARKET OVERVIEW

2.1 Economic Overview

2.1.1 Johor Key Economic and Demographic Indicators

Figure 2-1: Johor Economy and Demography Overview, 2010 – 2015

Key Indicators	CAGR ¹	2010	2011	2012	2013	2014	2015
Real GDP at Constant 2010 Prices (RM bil)	5.9%	RM74.1 bil	RM78.9 bil	RM84.1 bil	RM88.0 bil	RM93.7 bil	RM98.9 bil
Real GDP Growth (%)	-	5.3%	6.5%	6.5%	4.7%	6.5%	5.6%
GDP per Capita at Current Prices (RM)	6.0%	RM 22,035	RM 24,350	RM 25,442	RM 26,308	RM 28,089	RM 29,539
Real GDP by Economic Activity							
Services	-	46.5%	47.3%	47.5%	47.3%	47.5%	47.0%
Manufacturing	-	31.8%	31.2%	31.0%	30.9%	30.6%	30.7%
Agriculture	-	16.9%	16.9%	16.5%	16.1%	15.6%	14.9%
Others	-	4.8%	4.6%	5.0%	5.7%	6.3%	7.4%
Approved Investments (RM bil)							
Manufacturing - Domestic Investments	-	RM4.9 bil	RM3.3 bil	RM1.4 bil	RM2.9 bil	RM13.3 bil	RM28.0 bil
Manufacturing - Foreign Investments	-	RM2.6 bil	RM3.3 bil	RM4.2 bil	RM11.5 bil	RM7.9 bil	RM3.1 bil
Tourist Arrivals							
Foreign Tourists	10.4%	1,566,977	1,781,765	1,794,729	2,631,675	2,402,884	2,565,092
Domestic Tourists	16.4%	2,051,955	2,003,611	2,162,130	3,138,895	4,023,691	4,388,235
Population ²	1.1%	3,362,900	3,410,500	3,450,400	3,474,400	3,509,000	3,547,700
Average Population per sq km	-	177	179	181	181	183	185
Employment							
Labour Force ('000)	2.4%	1,453.5	1,495.0	1,529.4	1,598.9	1,621.1	1633.2
Employed ('000)	2.2%	1,418.8	1,457.3	1,481.5	1,553.4	1,579.7	1582.6
Unemployment Rate (%)	-	2.4%	2.5%	3.1%	2.8%	2.6%	3.1%
Monthly Household Income (RM)	15.4%	n.a.	n.a.	RM 4,658	n.a.	RM 6,207	n.a.
Urbanisation Rate (%) ³	-	71.9%					
Male to Female Ratio ³	-	53 : 47					
Ethnicity ³							
Bumiputera	-	58.9%					
Chinese	-	33.6%					
Indian	-	7.1%					
Others	-	0.4%					
Age Structure ³							
Median Age	-	27.0					
0 - 14 years	-	27.2%					
15 - 64 years	-	67.5%					
65 years and above	-	5.3%					

Note: ¹CAGR applies for earliest to latest available data

²Mid-year population estimates based on adjusted Population and Housing Census of Malaysia 2010

³Latest available information from Census 2010

Source: DOS, Tourism Malaysia

- The Johor economy was ranked fourth largest in Malaysia in 2015, representing 9.3% of the Malaysia's GDP, after Selangor, Kuala Lumpur and Sarawak. The real GDP per capita grew by 5.2% to RM29,539 in 2015 from RM28,089 in 2014. The approved investment for Johor in the manufacturing sector registered RM31.102 billion in 2015, representing 41.6% of the total proposed capital investments in Malaysia. The investments in Johor were mainly contributed by the Pengerang Integrated Complex mega project, which attracted RM14.8 billion in four new joint venture projects to manufacture a wide range of petrochemical products. Petrolim National Bhd ("Petronas") remains committed with RM105.3bil for a refinery and petrochemical complex to the Pengerang project despite the falling oil price in 2015.
- The mid-year population of Johor was estimated to be 3.55 million in 2015, recording a 5.5% growth since 2010. 71.9% of Johor's population in 2010 is urbanized. The median age of 27.0 years, higher than the national average of 26.2 years.
- The unemployment rate for Johor is marginally lower than the national level (2.9%) at 2.6% in 2014. Average monthly household income showed an increase from RM4,658 to RM6,207 between 2012 and 2014, translating to a CAGR of 15.4%. Nonetheless, Johor has a lower average monthly household income when compared to other major states in Malaysia, such as Kuala Lumpur and Selangor. This is attributable to the large land area that Johor covers compared to the other states, which is largely covered by hinterland and agriculture sector that is less productive than the manufacturing and services sectors.

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2.1.2 Negeri Sembilan Key Economic and Demographic Indicators

Figure 2-2: Negeri Sembilan Economy and Demography Overview, 2010 - 2015

Key Indicators	CAGR ¹	2010	2011	2012	2013	2014	2015
Real GDP at Constant 2010 Prices (RM bil)	4.4%	RM30.2 bil	RM32.0 bil	RM33.9 bil	RM34.9 bil	RM36.0 bil	RM37.5 bil
Real GDP Growth (%)	-	5.3%	5.9%	6.0%	2.9%	3.1%	4.4%
GDP per Capita at Current Prices (RM)	4.6%	RM 29,363	RM 32,136	RM 33,761	RM 34,118	RM 35,865	RM 36,699
Real GDP by Economic Activity							
Services	-	41.4%	41.3%	41.7%	42.0%	43.0%	43.4%
Manufacturing	-	43.6%	44.0%	43.8%	42.6%	41.7%	40.6%
Agriculture	-	11.2%	11.2%	10.9%	10.5%	9.7%	10.6%
Others	-	3.8%	3.5%	3.6%	4.9%	5.6%	5.4%
Approved Investments (RM bil)							
Manufacturing - Domestic Investments	-	RM0.2 bil	RM1.6 bil	RM1.5 bil	RM0.3 bil	RM1.0 bil	RM0.5 bil
Manufacturing - Foreign Investments	-	RM1.1 bil	RM4.3 bil	RM1.3 bil	RM1.4 bil	RM2.1 bil	RM1.2 bil
Tourist Arrivals							
Foreign Tourists	-1.0%	479,837	478,877	489,147	302,301	544,508	456,013
Domestic Tourists	10.2%	1,157,537	1,352,621	1,355,198	1,348,403	1,701,432	1,878,207
Population ²	1.1%	1,029,500	1,047,400	1,057,700	1,072,200	1,078,300	1,084,800
Average Population per sq km	-	154	157	159	161	162	163
Employment							
Labour Force ('000)	2.9%	418.3	426.6	455.7	478.9	480.9	483.6
Employed ('000)	2.9%	405.4	413.7	442.1	464.1	466.5	468.7
Unemployment Rate (%)	-	3.1%	3.0%	3.0%	3.1%	3.0%	3.1%
Monthly Household Income (RM)	7.3%	n.a.	n.a.	RM 4,576	n.a.	RM 5,271	n.a.
Urbanisation Rate (%) ³	-	66.5%					
Male to Female Ratio ³	-	52 : 48					
Ethnicity ³							
Bumiputera	-	61.3%					
Chinese	-	23.2%					
Indian	-	15.2%					
Others	-	0.4%					
Age Structure ³							
Median Age	-	26.7					
0 - 14 years	-	26.6%					
15 - 64 years	-	67.7%					
65 years and above	-	5.7%					

Note: ¹CAGR applies for earliest to latest available data

²Mid-year population estimates based on adjusted Population and Housing Census of Malaysia 2010

³Latest available information from Census 2010

Source: DOS, Tourism Malaysia

- Negeri Sembilan recorded a GDP growth of 4.4% in 2015 to RM37.5 billion, while GDP per capita registered a growth of 2.3% to RM36,699. The economy is largely dependent on services (43.4%) and manufacturing (40.6%). Approved investments in the manufacturing sector registered at RM1.7 billion in 2015, after an excellent result in 2014 that captured major investments such as new plants for US-based Kellogg and Perodua-Daihatsu's joint-venture.
- Negeri Sembilan has a mid-year population of 1.08 million in 2015, registering a growth of 5.4% from 2010. The urbanisation rate was 66.5% in 2010. In 2015, the unemployment rate is slightly higher than the national level of 2.9% at 3.1%, while average monthly household income was rated 8th highest, recording a CAGR of 7.3% between 2012 and 2014. The median age of the population was 26.7 years, higher than the national average of 26.2 years.

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2.1.3 Melaka Key Economic and Demographic Indicators

Figure 2-3: Melaka Economy and Demography Overview, 2010 – 2015

Key Indicators	CAGR ¹	2010	2011	2012	2013	2014	2015
Real GDP at Constant 2010 Prices (RM bil)	5.6%	RM24.2 bil	RM25.5 bil	RM27.3 bil	RM27.9 bil	RM30.1 bil	RM31.7 bil
Real GDP Growth (%)	-	6.6%	5.4%	7.0%	2.4%	7.7%	5.5%
GDP per Capita at Current Prices (RM)	6.3%	RM 29,366	RM 32,421	RM 34,965	RM 35,699	RM 38,565	RM 39,853
Real GDP by Economic Activity							
Services	-	44.4%	45.1%	44.6%	46.3%	46.2%	45.6%
Manufacturing	-	42.2%	41.4%	40.9%	39.6%	40.5%	40.9%
Agriculture	-	10.6%	10.8%	10.6%	11.0%	10.7%	10.7%
Others	-	2.8%	2.7%	3.9%	3.1%	2.6%	2.8%
Approved Investments (RM bil)							
Manufacturing - Domestic Investments	-	RM0.44 bil	RM1.71 bil	RM0.64 bil	RM0.47 bil	RM2.69 bil	RM4.79 bil
Manufacturing - Foreign Investments	-	RM1.19 bil	RM2.65 bil	RM0.41 bil	RM1.03 bil	RM1.83 bil	RM2.07 bil
Tourist Arrivals							
Foreign Tourists	-2.8%	2,089,161	2,091,249	2,093,952	1,930,622	1,757,952	1,809,489
Domestic Tourists	9.1%	1,799,832	1,811,799	1,812,749	2,201,143	2,675,011	2,778,146
Population ²	2.1%	790,136	830,040	840,000	853,440	865,388	878,369
Average Population per sq km	-	478	502	508	515	523	530
Employment							
Labour Force ('000)	3.5%	338.6	343.7	358.8	378.3	398.3	402.4
Employed ('000)	3.5%	335.1	341.2	357.0	375.5	394.9	398.3
Unemployment Rate (%)	-	1.0%	0.7%	0.5%	0.7%	0.9%	1.0%
Monthly Household Income (RM)	12.7%	n.a.	n.a.	RM 4,759	n.a.	RM 6,046	n.a.
Urbanisation Rate (%) ³	-	86.5%					
Male to Female Ratio ³	-	50 : 50					
Ethnicity ³							
Bumiputera	-	66.9%					
Chinese	-	26.4%					
Indian	-	6.2%					
Others	-	0.5%					
Age Structure ³							
Median Age	-	26.5					
0 - 14 years	-	26.3%					
15 - 64 years	-	67.5%					
65 years and above	-	6.2%					

Note: ¹CAGR applies for earliest to latest available data

²Mid-year population estimates based on adjusted Population and Housing Census of Malaysia 2010

³Latest available information from Census 2010

Source: DOS, Tourism Malaysia

- As of 2015, Melaka's GDP stood at RM31.7 billion, up by 5.5% from the previous year. 45.9% of its economic activities are dependent on services and 40.9% manufacturing. The GDP per capita of Melaka grew by a CAGR of approximately 6.3% over a period of four years to RM39,853.
- The mid-year population of Melaka grew by 11.1% between 2010 and 2015 to 878,369 with an estimated urbanisation rate of 86.5% in 2010. The average monthly household income ranked at 6th among all the states at RM6,046, recording a CAGR of 12.7% between 2012 and 2014. Unemployment rate remains low at 1.0% in 2015, almost 2.0% lower than the national unemployment rate of 2.9%. The median age is 26.5, slightly higher than the national average of 26.2 years.

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2.1.4 Selangor Key Economic and Demographic Indicators

Figure 2-4: Selangor Economy and Demography Overview, 2010 – 2015

Key Indicators	CAGR ¹	2010	2011	2012	2013	2014	2015
Real GDP at Constant 2010 Prices (RM bil)	6.2%	RM177.7 bil	RM187.4 bil	RM200.9 bil	RM212.8 bil	RM227.1 bil	RM240.0 bil
Real GDP Growth (%)	-	11.9%	5.5%	7.2%	5.9%	6.7%	5.7%
GDP per Capita at Current Prices (RM)	5.7%	RM 32,300	RM 34,478	RM 36,799	RM 38,082	RM 40,701	RM 42,611
Real GDP by Economic Activity							
Services	-	59.0%	58.9%	59.0%	59.6%	59.5%	59.4%
Manufacturing	-	30.9%	30.7%	30.2%	29.5%	29.5%	29.4%
Agriculture	-	2.2%	2.1%	2.1%	1.9%	1.7%	1.6%
Others	-	7.900%	8.3%	8.7%	9.0%	9.3%	9.6%
Approved Investments (RM bil)							
Manufacturing - Domestic Investments	-	RM5.5 bil	RM4.5 bil	RM7.3 bil	RM6.2 bil	RM3.8 bil	RM4.2 bil
Manufacturing - Foreign Investments	-	RM5.1 bil	RM4.2 bil	RM4.4 bil	RM3.6 bil	RM3.2 bil	RM3.8 bil
Tourist Arrivals							
Foreign Tourists	-0.1%	1,622,222	1,654,667	1,528,974	1,220,613	1,664,686	1,613,299
Domestic Tourists	19.7%	968,201	975,748	1,101,913	1,610,726	2,466,995	2,382,290
Population ²	2.2%	5,502,100	5,600,300	5,702,400	5,904,700	6,021,600	6,140,100
Average Population per sq km	-	691	703	716	741	756	771
Employment							
Labour Force ('000)	4.1%	2,634.4	2,704.0	2,842.6	3,006.2	3,096.0	3,212.9
Employed ('000)	4.2%	2,551.1	2,638.5	2,776.1	2,933.3	3,033.6	3,135.0
Unemployment Rate (%)	-	3.2%	2.4%	2.3%	2.4%	2.0%	2.4%
Monthly Household Income (RM)	8.4%	n.a.	n.a.	RM 7,023	n.a.	RM 8,252	n.a.
Urbanisation Rate (%) ³	-	91.4%					
Male to Female Ratio ³	-	52 : 48					
Ethnicity ³							
Bumiputera	-	57.1%					
Chinese	-	28.6%					
Indian	-	13.5%					
Others	-	0.8%					
Age Structure ³							
Median Age	-	27.0					
0 - 14 years	-	25.1%					
15 - 64 years	-	71.3%					
65 years and above	-	3.6%					

Note: ¹CAGR applies for earliest to latest available data

²Mid-year population estimates based on adjusted Population and Housing Census of Malaysia 2010

³Latest available information from Census 2010

Source: DOS, Tourism Malaysia

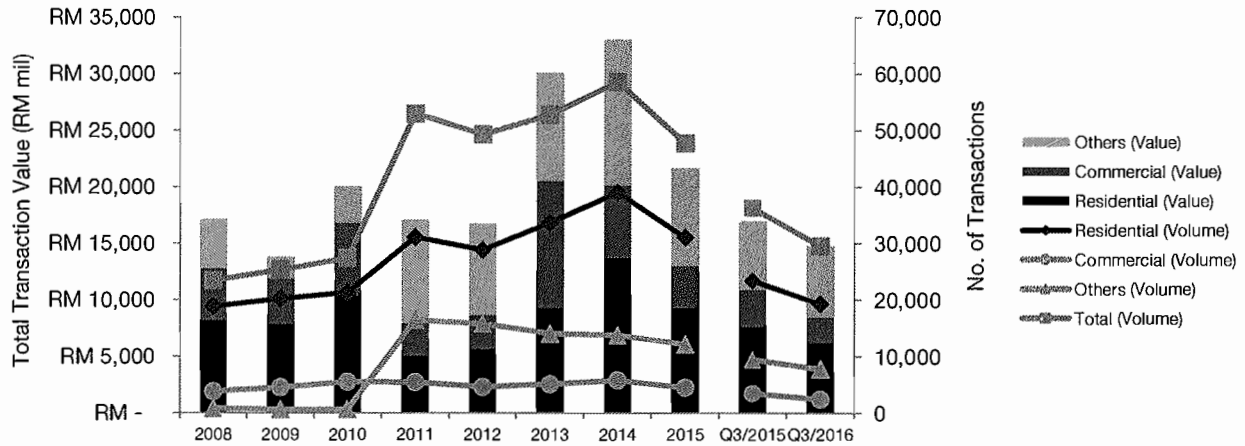
- Selangor recorded a GDP growth of 5.7% in 2015, slightly higher than the 2015 national GDP growth of 5.0%, and has a 2010-2015 CAGR of 6.2%. GDP per capita has increased by 4.7% in 2015 to RM42,611. The state accounted for the largest percentage share to the national GDP at 22.6%, with almost 60% of its economic activities are from the services sector, followed by 29% from the manufacturing sector.
- The population of Selangor was estimated to be at 6,140,100, growing by 11.6% since 2010. In 2010, 91.4% of its 5.50 million population is urbanised, with a median age of 27 years old. The unemployment rate was at 2.0% in 2014, down by 0.5% from 2013. The average monthly household income showed an increase from RM7,023 to RM8,252 between 2012 and 2014, which translates to a CAGR of 8.4%. Selangor recorded the third highest household income among all the states behind Kuala Lumpur and Putrajaya.



2.2 Performance of Real Estate Market

2.2.1 Johor Real Estate Market

Figure 2-5: Johor Property Transaction Volume and Value, 2008 - Q3/2016

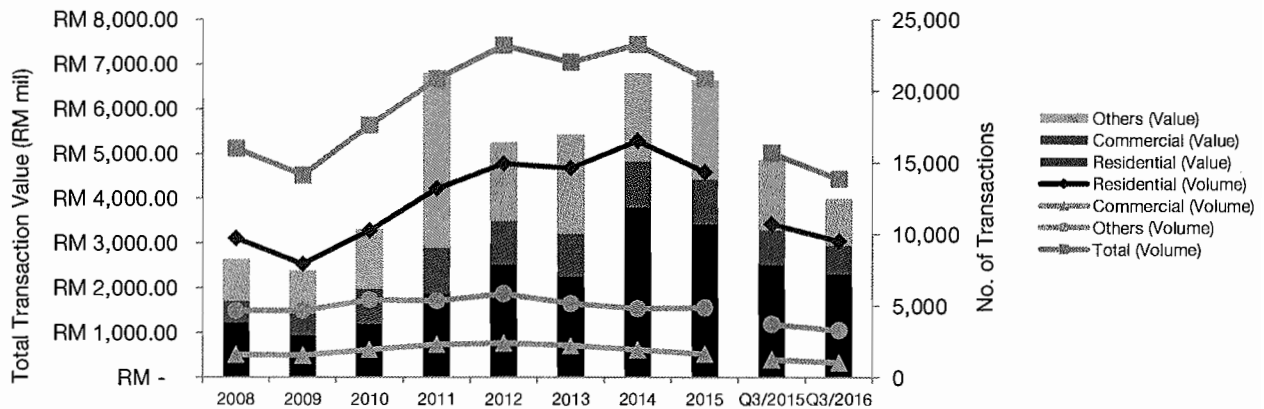


Note: Others include industrial, agriculture and development land
Source: JPPH

- As of Q3/2016, 29,520 properties were transacted worth RM14.8 billion, a decrease of 18.6% in volume and 13.0% in value, compared to the same period in 2015. 19,304 residential properties were changed hand for RM6.3 billion between January and September 2016. This represents a decrease of 17.4% in volume and 18.2% in value as compared to the previous year. Commercial properties transacted were significantly lower from the previous year, with a decrease of 30.0% in volume (2,437 transactions) and 31.9% in value (RM2.2 billion).
- In 2015, 47,728 property transactions were recorded in Johor for a total value of RM21.7 billion. Both transacted value and volume saw a fall of 34.5% and 18.5%, respectively from 2014. The residential sector saw rapid growths in 2013 and 2014 due to the large foreign participation in the investment market. In 2015, the weaker regional economic condition affected the foreign investments in residential properties, leading to a fall in residential transaction volume.

2.2.2 Negeri Sembilan Real Estate Market

Figure 2-6: Negeri Sembilan Property Transaction Volume and Value, 2008 – Q3/2016



Note: Others include industrial, agriculture and development land
Source: JPPH

- As of Q3/2016, the volume of transacted properties fell by 11.6% to 13,855 property transactions (Q3/2015:15,677) with a total value of RM4.0 billion (18.0% decrease from previous year). 20,860 property transactions were recorded for a total value of RM6.6 billion in 2015. This represents a decrease of 10.3% in volume and 2.1% in value as compared to 2014. The decline is due to the cooling measures introduced by the government to curb speculation.
- Between January to September 2016, 9,516 residential properties were transacted for RM2.3 billion. This is 11.1% lower in volume and 8.6% lower in value compared to Q3/2015 (10,705 transactions totaling RM2.5 billion). Commercial properties meanwhile declined by 17.1% in volume to 1,040 transactions in Q3/2016 with a 16.6% decrease in value (Q3/2015: RM0.8 billion) against Q3/2015.

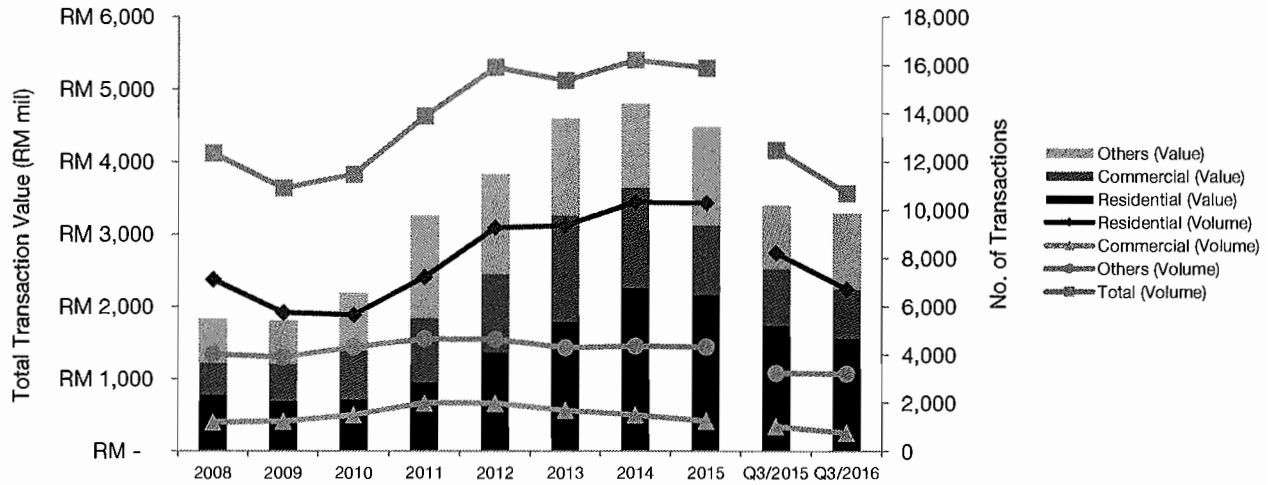
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2.2.3 Melaka Real Estate Market

Figure 2-7: Melaka Property Transaction Volume and Value, 2008 – Q3/2016



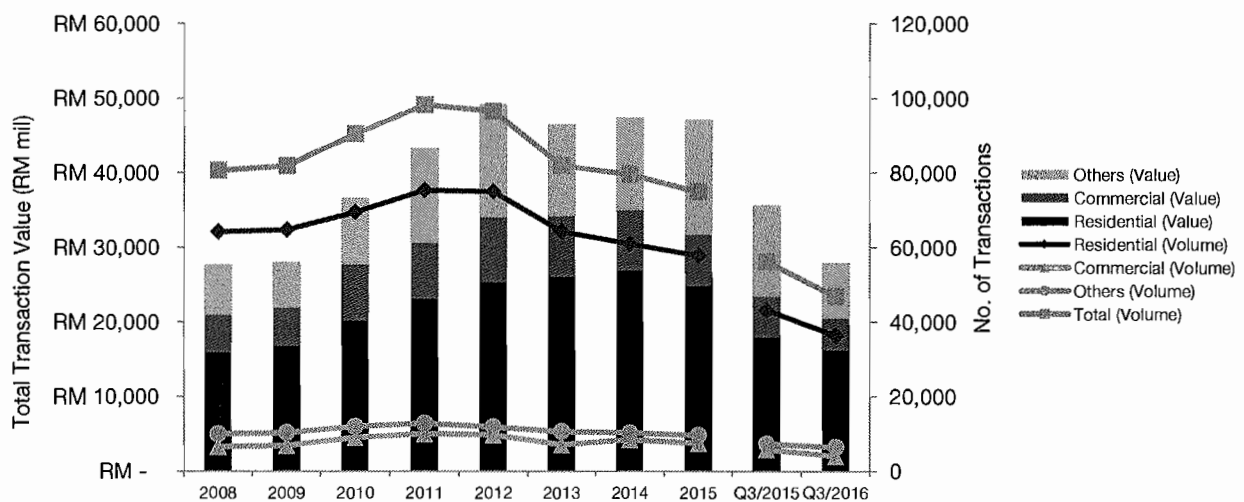
Note: Others include industrial, agriculture and development land

Source: JPPH

- 10,695 property transactions were recorded over the first nine months of 2016 with a total value of RM3.3 billion. The transaction volume decreased by 14.3% compared with the previous year, while transaction value fell by 3.2%. In 2015, Melaka registered 15,878 property transactions worth RM4.5 billion, a decrease of 2.0% in volume and 6.7% in value as compared to 2014.
- There was an 18.2% decrease in Q3/2016 in residential property transactions (6,720 units) while the transaction value saw a decrease of 9.9% to RM1.6 billion. On the other hand, commercial property transactions fell by 25.9% in volume (Q3/2016: 765) and 13.7% in value (Q3/2016: RM0.7 billion), respectively.

2.2.4 Selangor Real Estate Market

Figure 2-8: Selangor Property Transaction Volume and Value, 2008 – Q3/2016



Note: Others include industrial, agriculture and development land

Source: JPPH

- The first nine months of 2016 recorded 46,812 transactions worth RM28.0 billion, a decrease of 16.6% in volume and 21.6% in value against Q3/2015. Residential properties transaction declined by 15.7% in Q3/2016 to 36,338 transactions totalling RM16.3 billion. Commercial properties recorded a 29.7% decrease in volume to 4,056 transactions with a substantial fall of 22.3% in the transaction value to RM4.2 billion.
- In 2015, 74,905 properties were transacted with a total value of RM47.5 billion. The transacted volume fell by 5.9% whereas value fell marginally by 0.7% from the previous year. The decline is due the cooling measures introduced by the government to curb speculation.



3. RETAIL PROPERTY MARKET

3.1 Retail Formats

- At the macro level, the intense competition in retail has resulted generally in the divergence of retail formats into three categories – conventional malls consisting megamalls, regional malls and neighbourhood malls; hybrid malls or lifestyle malls; and stand alone retail stores such as hypermarkets and community retail centre.

3.1.1 Conventional Malls

- Conventional malls traditionally offer a wide range of merchandise. Rapid growth in population and affluence has resulted in segmentation of the market to the point where these malls are now evolving into various types to suit the different submarkets. These can now be categorised by size; namely megamalls (>1,000,000 square feet ("sq ft") of NLA ("NLA")), regional malls (500,000-1,000,000 sq ft of NLA), and neighbourhood malls (>500,000 sq ft of NLA). Megamalls and regional malls usually capture cross catchment targets mainly due to their size and are normally positioned for the middle income market depending on their location. Neighbourhood malls meanwhile serve a smaller catchment (usually a 10-minute drive catchment area) and are limited in their range of merchandise. Malls such as Pavilion KL, KLCC and Mid Valley Megamall usually have significant presence of established brands, and many are anchored by department stores and supermarkets.

3.1.2 Hybrid Malls

- Hybrid malls have emerged as an alternative to the conventional malls which are either too crowded or do not provide differentiation. Hybrid malls specialise in new-to-market brands and usually provide a different concept and ambience, particularly alfresco dining areas. Examples are The Curve, Sunway Giza and Citta Mall which are semi-open air and provide an alternative unhurried shopping and lifestyle experience.

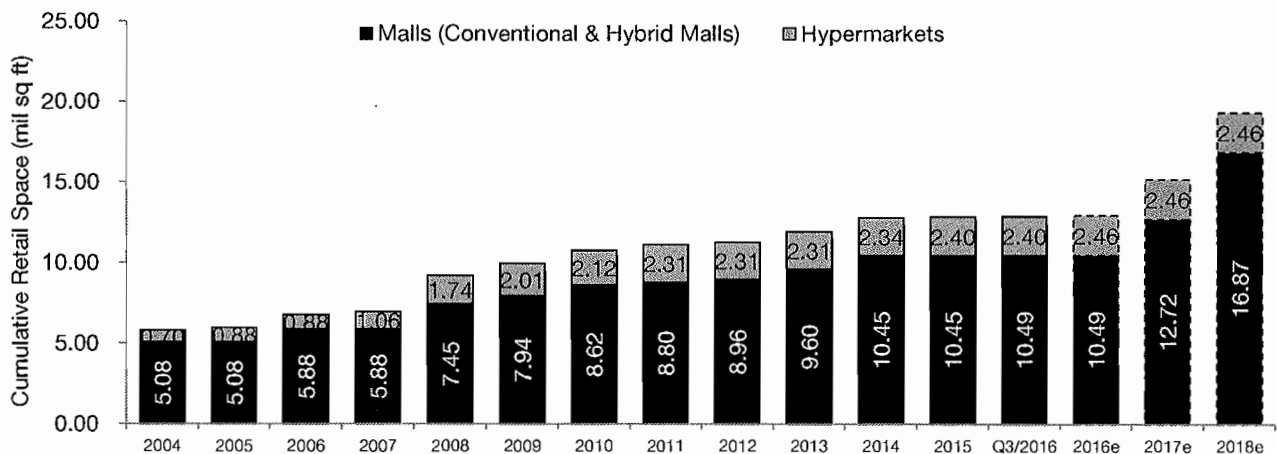
3.1.3 Stand Alone Stores

- Stand alone stores are retail stores that are usually operated by a major retailer in one single building, usually smaller than malls. Most of these are single storey hypermarkets, many of which have a collection of small shops tenanted to complementary trades fronting the hypermarket cash counters. Hypermarkets work on price competitiveness and usually serve a primary catchment of approximately 300,000 people. Most have a similar format to Carrefour, the first hypermarket chain in Malaysia, of adding small speciality outlets to both compete with conventional malls in terms of product offering and also to garner additional rental income. This category is perhaps the most competitive as the market is still controlled by suppliers or middlemen which deal directly with the manufacturers. The proximity of many competing hypermarkets within many housing estates suggests the consolidation in this subsector is still ongoing.
- Community market centre has emerged recently with groups of small traders congregating in a warehouse format. These markets have the added advantage of localising the merchandise and services, to the extent of being more communal or neighbourhood than the hypermarkets. KIP Mart represents this new community retail centre category successfully and thrives well particularly in smaller towns or lower to middle income submarkets.

3.2 Johor

3.2.1 Retail Supply

Figure 3-1: Cumulative Supply of Retail Space in Selected Districts in Johor, 2014-2018e



Source: JPPH, Savills Research

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- For the purpose of this Report, the selected districts are Johor Bahru and Kota Tinggi, where the KIP Marts are located.
- The cumulative retail supply in the selected districts in Johor is based on existing malls (conventional and hybrid malls) and hypermarkets. Currently, there is a total retail space of 12.88 million sq ft of NLA, of which 10.45 million sq ft are from shopping malls and 2.40 million sq ft are from hypermarkets.
- The quality of the retail space in the selected districts is mediocre, with only a few malls that are of the current market standard, including Johor Bahru City Square (526,000 sq ft NLA), KOMTAR JBCC (405,000 sq ft NLA), Sutera Mall (inclusive of Entertainment City, 700,000 sq ft of NLA), KSL City Mall (600,000 sq ft NLA), AEON Tebrau City (695,822 sq ft NLA), AEON Indahpura (430,000 sq ft NLA) and AEON Bukit Indah (606,966 sq ft NLA).

3.2.2 Future Retail Supply

- Notable future supply of retail space in the selected districts of Johor is tabled as follows.

Figure 3-2: Future Retail in Selected Districts of Johor, 2016 - 2018

No.	Development Name	Location	Type	NLA (sq ft)	Status	Expected Completion
1	Mydin Mutiara Rini	Tmn Mutiara Rini	Hypermarket	60,000	Under Construction	2016
2	Meridin @ Medini Phase 1	Medini	Mall	30,000	Under Construction	2017
3	Meridin @ Medini Phase 2	Medini	Mall	80,000	Under Construction	2017
4	Citrine @ The Lakeview, Retail Units	Medini	Mall	140,000	Under Construction	2017
5	Puteri Cove Quayside Retail Mall	Puteri Harbour	Mall (Stratified)	120,000	Under Construction	2017
6	Country Garden Lifestyle Mall	Danga Bay	Mall	430,513	Under Construction	2017
7	Zennith Mall @ Suasana	JBCC	Mall	55,000	Under Construction	2017
8	AEON Kempas	Bandar Dato' Onn	Mall	818,000	Under Construction	2017
9	IKEA Tebrau City	Jalan Tebrau	Mall	502,814	Under Construction	2017
10	The Meridin Walk	Medini	Mall	55,000	Under Construction	2017
11	Paradigm Mall (former Kemayan City)	Jalan Skudai	Mall	1,300,000	Under Construction	2018
12	Volt Corporate Park	Medini	Mall	54,000	Under Construction	2018
13	Southkey Megamall	Jalan Bakar Batu	Mall	1,500,000	Under Construction	2018
14	Capital 21 @ Capital City	Tampoi	Mall (Stratified)	1,000,000	Under Construction	2018
15	Princess Quay @ R&F Princess Cove	JBCC	Mall (Stratified)	300,000	Under Construction	2018
16	Southern Marina	Puteri Harbour	Mall	200,000	Under Construction	Post-2018
17	Persada Annex (Coronation Square)	JBCC	Mall	80,000	Planning stage	Post-2018
18	Phase 2 @ Mall of Medini	Medini North	Mall	800,000	Planning stage	Post-2018
19	KEN JBCC	City Centre	Mall	450,000	Planning stage	Post-2018
20	The Publiq	Jalan Masai Baru	Mall	420,000	Planning stage	Post-2018
21	Pandan City Mall	Pandan, Tebrau	Mall	152,058	Planning stage	Post-2018
22	MB Point Shopping Mall	Larkin, Johor Bahru	Mall	292,229	Planning stage	Post-2018
23	D'Pristine Retail Mall*	Medini	Mall	124,528	Planning stage	Post-2018
24	The Waves @ Puteri Harbour (Parcel CS3)	Puteri Harbour	Mall	-	Planning stage	Post-2018
25	One World Medini	Medini	Mall	1,110,000	Project Deferred	TBA
26	MB City Mall (formerly Pacific Mall)*	City Centre	Mall	222,000	Project Deferred	TBA
27	The Gateway@ Danga Bay	Danga Bay	Mall	-	Project Deferred	TBA
				> 10,331,010 sq ft		

Note: *NLA calculation from gross floor area ("GFA") based on 60% building efficiency

Source: Savills Research

- Currently, 28 retail developments with total NLA of at least 9.70 million sq ft (76.2% of the current supply) are under construction or planning stage.
- Upon completion of the megamalls such as Southkey Megamall (1.5 million sq ft NLA), Paradigm Mall (1.3 million sq ft NLA) and Capital 21 (1.0 million sq ft NLA), there will be large influx of retail space volume coming into the retail market which would result in a highly competitive market as these malls will inevitably compete for the same retailers, and the catchment area of these malls will overlap each another. This may subsequently affect the occupancy rates and rent levels. Nevertheless, these megamalls would have minimal impact on KIP Mart as they are not directly competing with one another, noting that there is only one hypermarket opening in 2016.

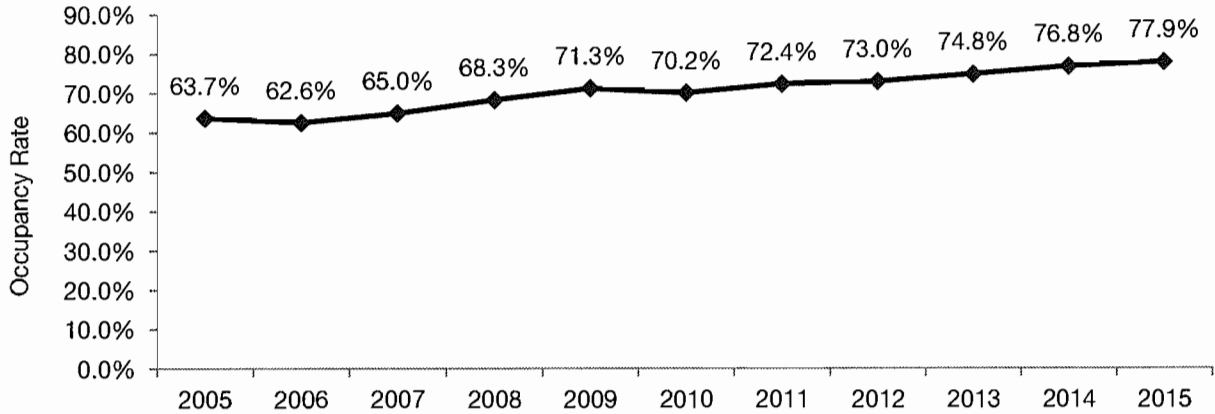
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3.2.3 Average Occupancy Rates

Figure 3-3: Average Occupancy Rate for Retail Properties in Selected Districts in Johor, 2005 - 2015



Note: Includes shopping centres, hypermarkets and arcades (old format conventional malls)

Source: JPPH

- As of 2015, the average occupancy rate of retail properties edged up to 77.9% from 76.8% in 2014. Major shopping malls in strong areas such as the city centre, Tebrau and Perling/ Bukit Indah are usually more than 80% occupied with wholly owned-malls mostly fully-tenanted. This includes the likes of JB City Square, AEON Tebrau, AEON Bukit Indah, Sutera Mall, KOMTAR JBCC and KSL City Shopping Mall. These malls are generally regarded as significant malls in Johor Bahru, with central management having a greater control over the trade and tenant mix of the mall.
- However, stratified malls such as Holiday Plaza are still popular but there may see a gradual foreseeable decline in occupancy in the future. With the increase in disposable household income over time, consumers would demand higher quality shopping environment, better services and experiences, which stratified malls fail to deliver as they involve multiple owners. This limits the ability to upgrade and reduces their relevance to shoppers in the long run.

3.2.4 Rents

- The table below illustrates passing rents level in major shopping malls in Johor.

Figure 3-4: Passing Rental Rate for Selected Retail Centres in Johor, 2015

Retail Centre	Floor Level	Floor Area	Passing Rents (RM per sq ft per month)	
Malls				
Plaza DNP	1	1,808 sq ft - 2,120 sq ft	RM1.11 per sq ft	RM1.86 per sq ft
	3	1,389 sq ft	RM0.94 per sq ft	
	4	19,816 sq ft	RM0.62 per sq ft	
Plaza Angsana	1	280 sq ft - 840 sq ft	RM13.40 per sq ft	RM17.80 per sq ft
	2	1,572 sq ft	RM9.60 per sq ft	
	3	377 sq ft - 667 sq ft	RM7.10 per sq ft	RM20.20 per sq ft
		495 sq ft - 926 sq ft	RM7.53 per sq ft	RM11.70 per sq ft
		2,928 sq ft	RM9.20 per sq ft	
	4	215 sq ft - 614 sq ft	RM7.10 per sq ft	RM8.00 per sq ft
	786 sq ft - 1,109 sq ft	RM6.50 per sq ft	RM6.60 per sq ft	
Sutera Mall	5	118 sq ft - 301 sq ft	RM5.11 per sq ft	RM5.48 per sq ft
	1	172 sq ft - 484 sq ft	RM12.40 per sq ft	RM16.00 per sq ft
	2	721 sq ft - 732 sq ft	RM22.00 per sq ft	RM22.40 per sq ft
		1,851 sq ft	RM6.00 per sq ft	
	3	452 sq ft - 926 sq ft	RM10.50 per sq ft	RM20.00 per sq ft
Plaza Tasek		118 sq ft - 205 sq ft	RM12.00 per sq ft	RM32.40 per sq ft
		1,130 sq ft - 1,195 sq ft	RM7.50 per sq ft	RM13.00 per sq ft
	1	97 sq ft - 291 sq ft	RM6.70 per sq ft	RM18.50 per sq ft
	2	129 sq ft - 194 sq ft	RM13.80 per sq ft	RM17.20 per sq ft
	3	237 sq ft - 581 sq ft	RM11.20 per sq ft	RM13.00 per sq ft
	4	269 sq ft - 603 sq ft	RM4.00 per sq ft	RM8.00 per sq ft
Skudai Parade	5	237 sq ft - 517 sq ft	RM3.70 per sq ft	RM5.20 per sq ft
		7,675 sq ft	RM0.95 per sq ft	
	Basement	258 sq ft - 463 sq ft	RM2.14 per sq ft	RM6.62 per sq ft
	1	377 sq ft - 388 sq ft	RM2.83 per sq ft	RM4.30 per sq ft
	2	226 sq ft - 431 sq ft	RM1.75 per sq ft	RM3.23 per sq ft
	3	1,012 sq ft - 1,324 sq ft	RM1.87 per sq ft	RM1.94 per sq ft
Skudai Parade	4	377 sq ft - 431 sq ft	RM1.35 per sq ft	RM2.10 per sq ft
	5	452 sq ft - 603 sq ft	RM0.67 per sq ft	RM0.84 per sq ft

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Retail Centre	Floor Level	Floor Area		Passing Rents (RM per sq ft per month)	
Hypermarket					
Giant Southern City	Ground	226 sq ft	- 248 sq ft	RM8.70 per sq ft	- RM20.50 per sq ft
Giant Tampoi	Ground	312 sq ft	- 807 sq ft	RM3.50 per sq ft	- RM21.50 per sq ft
Pasaraya @mart Kempas	Ground	108 sq ft	- 301 sq ft	RM9.51 per sq ft	- RM34.16 per sq ft
Today Mall	Upper Ground	474 sq ft		RM2.12 per sq ft	
		1,884 sq ft		RM1.33 per sq ft	
	1	1,421 sq ft		RM0.92 per sq ft	
		7,233 sq ft		RM2.16 per sq ft	
Today Market	Ground	1,249 sq ft	- 3,143 sq ft	RM3.00 per sq ft	- RM4.21 per sq ft
		484 sq ft	- 797 sq ft	RM3.75 per sq ft	- RM9.90 per sq ft
		108 sq ft	- 301 sq ft	RM13.56 per sq ft	- RM34.62 per sq ft
Pasaraya Pandan	Ground	205 sq ft	- 291 sq ft	RM10.32 per sq ft	- RM16.67 per sq ft
Pekan Rabu	1	75 sq ft	- 108 sq ft	RM1.44 per sq ft	- RM1.50 per sq ft
	2	86 sq ft	- 161 sq ft	RM3.00 per sq ft	- RM3.03 per sq ft
KSL City	Lower Ground	301 sq ft	- 904 sq ft	RM11.00 per sq ft	- RM25.05 per sq ft
		1,970 sq ft	- 2,013 sq ft	RM6.50 per sq ft	
	Ground	237 sq ft	- 635 sq ft	RM18.43 per sq ft	- RM30.00 per sq ft
		883 sq ft	- 2,013 sq ft	RM8.00 per sq ft	- RM23.00 per sq ft
	1	194 sq ft	- 280 sq ft	RM15.00 per sq ft	
	2	1,001 sq ft	- 1,184 sq ft	RM11.43 per sq ft	- RM18.43 per sq ft
	2	280 sq ft	- 958 sq ft	RM15.00 per sq ft	- RM25.00 per sq ft

Source: JPPH

- Today Market achieved the highest rent amongst all at RM13.56 – 34.62 per sq ft for lots ranging from 108 – 306 sq ft. On the other hand, Sutera Mall commanded a rental rate of RM12.00 – RM32.40 per sq ft for lots ranging from 118 – 205 sq ft. Nevertheless these rents are unusual due to the small lot sizes.
- Hypermarkets and community retail centres typically offer retail lots of sizes between 200 sq ft to 500 sq ft, and charges rental rates of between from RM3.50 per sq ft and RM20.50 per sq ft. The rents depend on the size and location of the retail lots within the centre. Generally, retail lots with smaller size and located in prime location (such as ground floor facing main entrance) would command higher rents. The trade mix also plays an important role in determining the rents for the retail lots with certain trades fetching higher rents such as fashion and F&B compared to homebase trade.

Figure 3-5: Average Gross Rents of Selected Retail Properties in Johor

No.	Name of Building	Type	Type of Lease	Review Period	NLA (sq ft)	Average Gross Revenue per Month
1	Pasaraya Komuniti @Mart Kempas	Community Retail Centre	Multiple leases	June 2015	98,083	RM5.59 per sq ft
2	Tesco Bukit Indah	Hypermarket	30-year lease to Tesco	2014	233,579	RM2.31 per sq ft
3	Komtar JBCC	Mall	Multiple leases	June 2015	401,623	RM5.63 per sq ft

Source: Savills Research

- In average term, Pasaraya Komuniti @Mart Kempas Community Hypermarket and Komtar JBCC recorded average gross revenue of around RM5.50 per sq ft per month. The landlords are responsible for the operation and maintenance costs of the properties in multiple lease arrangement, and typically the net rental is RM1.50-2.50 per sq ft lower than the gross rental.
- The Tesco Bukit Indah property, due to its long lease and single-tenant nature, record a lower average gross revenue of RM2.31 per sq ft. Different from multiple lease arrangement, the tenant is generally responsible for operation and maintenance costs of the property in a long lease, and hence net rental to the landlord is close to the gross rental level.

3.2.5 Major Property Transactions

Figure 3-6: Major En-bloc Retail Properties Transactions in Johor

No.	Name of Building	Transaction Date	NLA (sq ft)	Value (RM)	Purchaser	Vendor
1	JB City Square	31 May 2004	388,000	465,000,000 (RM1,198 per sq ft)	GIC Real Estate Ltd	Merit Properties Sdn Bhd
2	Perling Mall	19 Sep 2008	91,497	33,000,000 (RM361 per sq ft)	PNB Property Holdings Sdn Bhd	Pelangi Sdn Bhd
3	Tesco Bukit Indah	24 Aug 2010	233,579	75,600,000 (RM324 per sq ft)	Axis REIT	Bukit Indah (Johor) Sdn Bhd
4	Kemayan City Mall (Abandoned structure)	27 Aug 2012	GFA: 1,906,084	180,000,000	WCT Berhad	Idaman Usahasmas Sdn Bhd
5	Pasaraya Komuniti @Mart Kempas	29 Sept 2015	98,083	65,000,000 (RM663 per sq ft)	Al Salam REIT	JCorp Group
6	Komtar JBCC	29 Sept 2015	401,623	462,000,000 (RM1,150 per sq ft)	Al Salam REIT	JCorp Group

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7	1Segamat Shopping Centre	10 June 2016	223,439	104,000,000 (RM465 per sq ft)	Hektar REIT	Tashima Development Sdn Bhd
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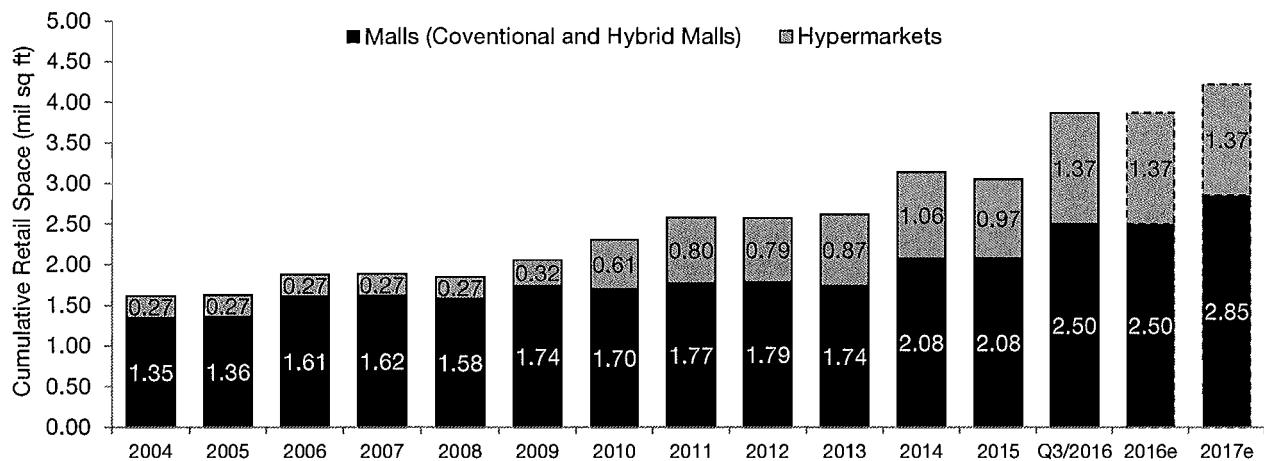
Source: Savills Research

- There were few en-bloc transactions for malls in Johor owing to the lack of investment grade malls. The landmark transaction was the sale of JB City Square to Singapore's GIC Real Estate Ltd in 2004 at RM1,198 per sq ft, and this marks the highest ever value per sq ft for retail properties in Johor. PNB Property Holdings purchased Perling Mall from Pelangi Sdn Bhd at a price of RM361 per sq ft in 2008.
- Relatively recent sales include Tesco Bukit Indah at RM324 per sq ft to Axis REIT, and the purchase of the abandoned Kemayan City Mall by WCT Berhad in 2012. Kemayan City Mall will be redeveloped into a 1,300,000 sq ft NLA Paradigm Mall, with hotel and serviced apartments atop. In June 2016, 1Segamat Shopping Centre was sold to Hektar REIT at RM465 per sq ft.

3.3 Negeri Sembilan

3.3.1 Retail Supply

Figure 3-7: Cumulative Supply of Retail Space in Bandar Seremban, 2004-2017e



Source: JPPH, Savills Research

- The retail supply in Negeri Sembilan focuses on the district of Bandar Seremban where KIP Mart Lavender Senawang is. As of Q3/2016, the total retail space in the Negeri Sembilan is 5.65 million sq ft of NLA, of which 3.95 million sq is in the district of Bandar Seremban (70.0%).
- In Bandar Seremban, There are 16 shopping centres with a total space of 2.50 million sq ft while 9 hypermarkets represent the remaining 1.37 million sq ft of retail space in Bandar Seremban. The fall in NLA for hypermarkets in 2015 was possibly due to the readjustment of NLA or partial closure of the hypermarket for refurbishment works.
- Palm Mall was opened in June 2014, while there was no opening of new malls in Seremban throughout 2015. Bandar Seremban saw the opening of two malls and a hypermarket, namely Seremban Gateway in March 2016 (120,000 sq ft NLA), Gateway Seremban Centrepoint in October 2016 (300,000 sq ft NLA), and MYDIN Hypermarket Senawang in June 2016 (400,000 sq ft NLA). This contributed to an increase of 25% in the existing retail space of Bandar Seremban.

3.3.2 Future Retail Supply

- We have identified two future retail developments in the district of Bandar Seremban with a total of more than 350,000 sq ft NLA (8.9% of the current retail space supply). UniCity Mall is a stratified mall which is expected to complete in 2017, whereas the retail component within PR1MA Seremban Sentral is expected to complete in 2018.
- Future supply of significant retail space in Bandar Seremban is tabled as follows.

Figure 3-8: Future Retail Centres in Bandar Seremban, 2016- 2018

No.	Future Supply	Location	Type	NLA (sq ft)	Status	Expected Completion
1	UniCity Mall	Seremban 3	Mall (Stratified)	350,000	Under construction	2017
2	Mall in PR1MA Seremban Sentral	Seremban Sentral	Mall	n.a	Under construction	2018
				> 350,000		

Source: Savills Research

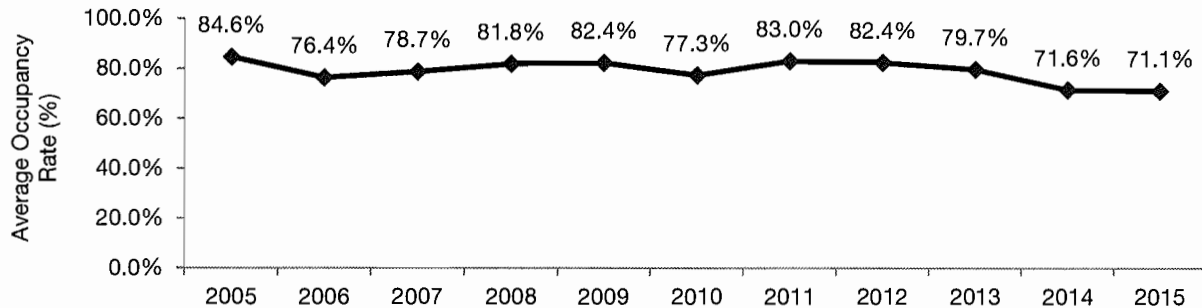
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3.3.3 Average Occupancy Rates

Figure 3-9: Average Occupancy Rate for Retail Properties in District of Bandar Seremban, 2005 - 2015



Note: Includes shopping centres, hypermarkets and arcades (old format conventional malls)

Source: JPPH

- Retail malls in the district of Bandar Seremban recorded an average occupancy rate of 71.1% in 2015, falling marginally from 71.6% in 2014. The 8.1% decrease in occupancy rates between 2013 and 2014 was due to the increased supply in retail space. Similar drop was also recorded in 2010 when new supply was added, before it improved and stabilised at around 82% to 83% in 2011 and 2012 after the new supply in 2010 and 2011 are absorbed by the market.
- While the future malls are expected to increase supply substantially, some of the new retail centres such as MYDIN Hypermarket Senawang and AEON Senawang are precommitted by the operators. This is likely to soften the impact to overall average occupancy rates in the future.

3.3.4 Rents

- The table below shows passing rent levels in selected retail centres in the district of Bandar Seremban.

Figure 3-10: Passing Rental Rates for Selected Retail Centres in the District of Bandar Seremban, 2015

Mall	Floor Level	Floor Area	Passing Rents (RM psf per month)
Malls			
Palm Mall, Jalan Sungai Ujong	Ground	667 sq ft - 2,799 sq ft	RM4.01 per sq ft - RM14.20 per sq ft
	Upper Ground	366 sq ft - 1,012 sq ft	RM8.00 per sq ft - RM15.60 per sq ft
KM Plaza, Jalan Tuanku Munawir	1	724 sq ft - 743 sq ft	RM9.00 per sq ft - RM9.58 per sq ft
	Ground	291 sq ft - 710 sq ft	RM4.80 per sq ft - RM6.49 per sq ft
	1 (Main area)	269 sq ft - 484 sq ft	RM2.40 per sq ft - RM3.62 per sq ft
Terminal One, Jalan Lintang	1	280 sq ft - 484 sq ft	RM1.80 per sq ft - RM1.98 per sq ft
	Ground	431 sq ft - 689 sq ft	RM9.59 per sq ft - RM11.61 per sq ft
	Upper Ground	431 sq ft - 926 sq ft	RM5.56 per sq ft - RM10.80 per sq ft
Wima Punca Emas, Jalan Dato Sheikh Ahmad	1	603 sq ft - 947 sq ft	RM3.80 per sq ft - RM7.26 per sq ft
	Ground	194 sq ft - 926 sq ft	RM1.08 per sq ft - RM1.62 per sq ft
Lucky Plaza, Jalan Dato Lee Fong Yee	1	183 sq ft - 431 sq ft	RM0.80 per sq ft - RM1.42 per sq ft
	2	258 sq ft - 344 sq ft	RM1.15 per sq ft - RM1.74 per sq ft
Seremban Parade, Jalan Dato Bandar Tunggal	2	883 sq ft - 1,023 sq ft	RM0.68 per sq ft - RM0.88 per sq ft
	Ground	377 sq ft - 3,821 sq ft	RM2.50 per sq ft - RM9.00 per sq ft
	1	1,432 sq ft - 2,250 sq ft	RM3.00 per sq ft - RM7.00 per sq ft
Aked (Bazaar MAINS), Jalan Dato Abdul Rahman	2	388 sq ft - 883 sq ft	RM3.50 per sq ft - RM4.50 per sq ft
	Ground	108 sq ft - 280 sq ft	RM2.55 per sq ft
Angsana Seremban (f.k.a. Plaza Ampangan)	1	108 sq ft - 129 sq ft	RM2.27 per sq ft - RM2.28 per sq ft
	Ground	366 sq ft - 829 sq ft	RM2.03 per sq ft - RM3.44 per sq ft
Terminal 2 Seremban, Jalan Labu Lama	1	323 sq ft - 420 sq ft	RM1.37 per sq ft - RM2.87 per sq ft
	Ground	291 sq ft - 1,055 sq ft	RM2.50 per sq ft - RM5.00 per sq ft
AEON Seremban Mall	Ground	215 sq ft - 904 sq ft	RM4.90 per sq ft - RM34.60 per sq ft
		1,227 sq ft - 1,948 sq ft	RM4.70 per sq ft - RM22.00 per sq ft
		2,228 sq ft - 2,971 sq ft	RM3.15 per sq ft - RM10.10 per sq ft
	1	226 sq ft - 1,033 sq ft	RM7.40 per sq ft - RM32.60 per sq ft
		1,098 sq ft - 1,959 sq ft	RM5.70 per sq ft - RM17.30 per sq ft
		2,497 sq ft - 14,058 sq ft	RM2.45 per sq ft - RM7.30 per sq ft
Hypermarkets			
Giant Hypermarket, Senawang	Ground	75 sq ft - 161 sq ft	RM15.81 per sq ft - RM38.82 per sq ft
		269 sq ft - 850 sq ft	RM7.90 per sq ft - RM26.19 per sq ft
		1,453 sq ft - 2,368 sq ft	RM6.31 per sq ft - RM8.40 per sq ft

Source: JPPH

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- AEON Seremban Mall, one of the most popular malls in Seremban, achieved a rent of RM34.60 per sq ft for a 904 sq ft lot at ground floor. Terminal One, another popular mall located along Jalan Lintang, achieved RM11.61 per sq ft for a lot of 686 sq ft on ground floor.
- Giant Hypermarket in Senawang achieved prime rents with rents achieving up to RM38.82 per sq ft for a 161 sq ft unit. Nevertheless these rents are unusual due to the small lot sizes.
- Generally the majority of retail centres in the district of Bandar Seremban, other than Terminal One and AEON Seremban Mall, command rents of less than RM10 per sq ft for sizes of 1,000 sq ft and below. Similar to Johor, this indicates insufficient footfall levels across these malls due to the lack of quality malls in Bandar Seremban, which is reflected in the lack of differences in rent between malls in central town and the suburban areas.

3.3.5 Major Property Transactions

Figure 3-11: Major En-bloc Retail Properties Transactions in Negeri Sembilan

No.	Name of Building	Transaction Date	NLA (sq ft)	Value (RM)	Purchaser	Vendor
1	MYDIN Wholesale Hypermarket Seremban 2	27 April 2015	430,595	RM240,000,000 (RM557 per sq ft)	Amanah Harta Tanah PNB	Mydin Mohamed Holdings Berhad

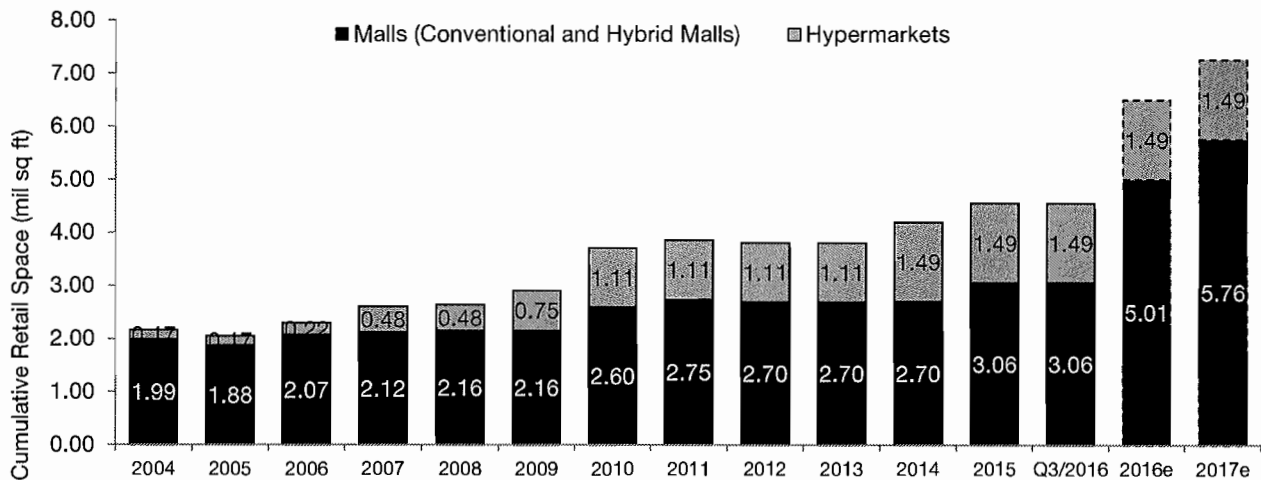
Source: Savills Research

- Negeri Sembilan is not an active market for retail property transaction. The only notable transaction was the sale of MYDIN Wholesale Hypermarket Seremban in April 2015. Amanah Harta Tanah PNB bought the property for RM557 per sq ft, before leasing it back to Mydin Mohamed Holdings Berhad on a 30-year lease agreement. The analysed gross yield of the property is 7% per annum for first four years of the lease, equivalent to gross rental of RM3.25 per sq ft per month.

3.4 Melaka

3.4.1 Retail Supply

Figure 3-12: Cumulative Supply of Retail Space in Melaka Town and Melaka Tengah, 2004-2017e



Source: JPPH, Savills Research

- 97.7% (4.55 million sq ft NLA) of the retail supply in Melaka (4.66 million sq ft NLA) are located in Melaka Town and Melaka Tengah. Of the 4.55 million sq ft retail space, 3.06 million sq ft are represented by 19 shopping complexes and 1.49 million sq ft are by 7 hypermarkets. The shopping complexes are concentrated in Melaka Town with 15 located in the area, while Melaka Tengah has 4 shopping complexes. For hypermarkets, there are 2 in Melaka Town and 5 in Melaka Tengah.

3.4.2 Future Retail Supply

- We have identified 6 future retail developments with a total of 4.5 million sq ft NLA (107.1% of the current supply) in Melaka which are in the pipeline, and a proposed mall at Ayer Keroh Business Park that is currently under planning. It is noted that there is no upcoming hypermarket in the future retail supply.
- 4 of the 6 malls identified are stratified malls, providing a total NLA of 2,950,000 sq ft, equivalent to 66% of the identified future supply. It is noteworthy that 2 of these stratified malls are at least 1,000,000 sq ft NLA in size, which are Elements @ Hatten City (1,500,000 sq ft) and Harbour City Mall @ Pulau Melaka (1,000,000 sq ft). Stratified malls do not have a central leasing unit, hence they lack control in their tenant mix and are less coordinated compared to a wholly-owned mall.

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- The retail supply would double upon the completion of these retail developments amid a moderate population growth given the number of upcoming retail mall in the pipeline. Stratified mall typically requires excellent management team to maintain the mall over time, and the overall offerings of the mall cannot be planned centrally with its mixed ownership, as compared to wholly-owned malls. Therefore, stratified malls lack the flexibility to adapt to trend changes.

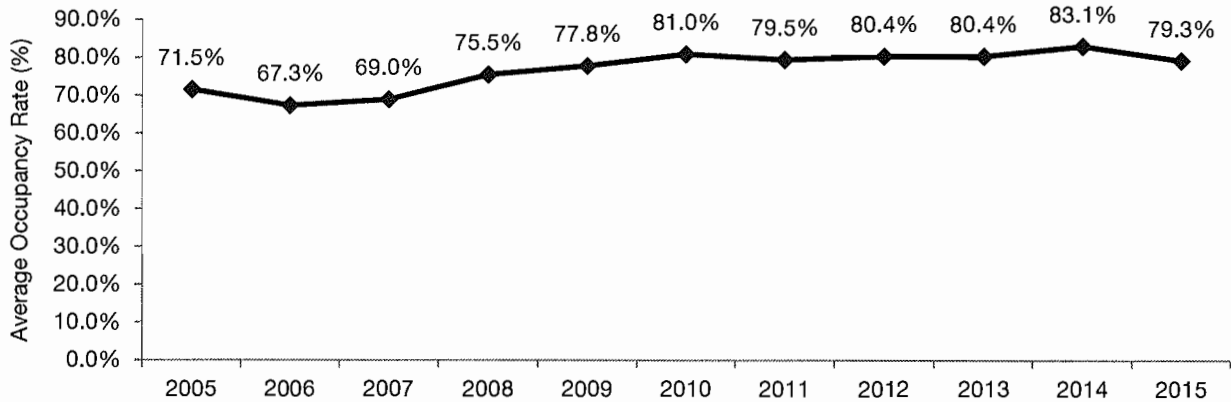
Figure 3-13: Future Retail Centres in Melaka, 2016- 2018

No	Future Supply	Location	Type	NLA (sq ft)	Status	Expected Completion
1	Vedro By The River Mall	Kee Ann Road	Mall (Stratified)	100,000	Under construction	2016
2	Imperto	Hatten City	Mall (Stratified)	350,000	Under construction	2016
3	Elements	Hatten City	Mall (Stratified)	1,500,000	Under construction	2016
4	Parkson Festival Mall Phase 1	Pulau Melaka	Mall	750,000	Under construction	2017
5	Harbour City Mall	Pulau Melaka	Mall (Stratified)	1,000,000	Under construction	2018
6	Proposed Mall @ Ayer Keroh Business Park	Ayer Keroh Business Park	Mall	800,000	Planning stage	Post-2018
				4,500,000		

Source: Savills Research

3.4.3 Average Occupancy Rate

Figure 3-14: Average Occupancy Rate for Retail Properties in Melaka Town and Melaka Tengah, 2005 - 2015



Note: Includes shopping centres, hypermarkets and arcades (old format conventional malls)

Source: JPPH, Savills Research

- The retail market in Melaka Town and Melaka Tengah recorded an average occupancy rate of 79.3% in 2015, the first decrease in occupancy rates since 2006 on the back of moderate new supply.
- The high impending supply will inevitably affect the current high level of average occupancy rate among malls, which are not the direct competitors to KiP Mart Melaka. However, well-managed existing malls in established locations are expected to face minimal impact, as most of them are wholly-owned and adaptable to withstand competition.

3.4.4 Rents

- The table below illustrates passing rent levels in selected retail centres in the districts of Melaka Town and Melaka Tengah.

Figure 3-15: Passing Rental Rates for Selected Retail in Melaka Town and Melaka Tengah, 2014

Mall	Floor Level	Floor Area	Passing Rents (RM psf per month)
Mahkota Parade, Bandar Hilir	Mall		
	Basement	21,937 sq ft	RM1.26 psf
		258 sq ft - 1,485 sq ft	RM16.72 psf - RM36.42 psf
	Ground	883 sq ft - 1,841 sq ft	RM7.80 psf - RM14.80 psf
		3,606 sq ft - 5,942 sq ft	RM7.00 psf - RM10.40 psf
	1	45,402 sq ft	RM1.26 psf
		377 sq ft - 1,066 sq ft	RM8.80 psf - RM18.30 psf
		721 sq ft - 1,087 sq ft	RM12.80 psf - RM16.30 psf
		2,745 sq ft	RM4.40 psf
		46,048 sq ft	RM1.26 psf
		121,503 sq ft	RM4.50 psf - RM7.50 psf
	2	6,921 sq ft	RM2.80 psf
84,314 sq ft		RM2.00 psf - RM2.50 psf	

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Mall	Floor Level	Floor Area		Passing Rents (RM psf per month)	
Plaza Hang Tuah, Jalan Tun Mamat, Off Jalan Hang Tuah	Ground	172 sq ft	- 893 sq ft	RM5.22 psf	- RM11.37 psf
	1	344 sq ft	- 592 sq ft	RM3.20 psf	- RM6.00 psf
Plaza Melaka Raya	Ground	248 sq ft	- 786 sq ft	RM1.51 psf	- RM2.89 psf
	1	355 sq ft		RM1.40 psf	
Hatten Square, Bandar Hilir	Ground	172 sq ft		RM4.37 psf	
	Link Bridge	388 sq ft	- 517 sq ft	RM7.71 psf	- RM8.55 psf
	2	312 sq ft		RM6.97 psf	
Dataran Pahlawan, Bandar Hilir	Ground (B)	280 sq ft	- 431 sq ft	RM17.84 psf	- RM18.58 psf
	Ground (E)	118 sq ft	- 280 sq ft	RM15.89 psf	- RM25.55 psf
	1 (F)	258 sq ft		RM15.42 psf	
The Shore	Ground	154 sq ft		RM7.00 psf	
	B1	1,109 sq ft		RM5.00 psf	
Melaka Mall, Jalan Leboh Ayer Keroh	B2	667 sq ft		RM2.70 psf	
	B3	226 sq ft		RM10.00 psf	
	Ground	194 sq ft	- 764 sq ft	RM6.50 psf	- RM10.50 psf
	1	4,058 sq ft	- 8,407 sq ft	RM2.50 psf	- RM5.50 psf
Hypermarkets					
Mydin Wholesale Hypermarket MITC	Ground	1,528 sq ft	- 9,235 sq ft	RM1.64 psf	- RM2.86 psf
	1	9,903 sq ft	- 35,402 sq ft	RM0.46 psf	- RM1.11 psf
Jaya Jusco Shopping Complex, Jalan Leboh Ayer Keroh	Ground	161 sq ft	- 1,733 sq ft	RM2.50 psf	- RM10.50 psf
	1	495 sq ft	- 1,044 sq ft	RM1.51 psf	- RM8.00 psf

Source: JPPH

- Mahkota Parade, located at Bandar Hilir achieved prime rents at RM36.42 per sq ft for a lot at ground floor (258 sq ft). Dataran Pahlawan also commanded much higher rents than other malls, between the range of RM15.42 per sq ft and RM25.55 per sq ft for smaller units (118 – 431 sq ft).
- The rents for shopping complexes in Melaka Town and Melaka Tengah are typically below RM10.00 per sq ft for 1,000 sq ft and below.
- Mydin Wholesale Hypermarket MITC, albeit its opening since 2009, is achieving low rents of RM1.64 to RM2.86 per sq ft for lots sized over 1,528 sq ft on the ground floor, attributable to its further location from town.

Figure 3-16: Average Gross Rents of Selected Retail Properties in Melaka

No.	Name of Building	Type	Type of Lease	Review Period	NLA (sq ft)	Estimated Average Gross Rent per Month
1	AEON Melaka	Mall	Master lease	2015	620,000	RM3.80 per sq ft

Source: Savills Research

- In 2015, the average monthly gross rent of AEON Melaka was estimated to average at RM3.80 psf. While master lease for a large property of this scale is uncommon in the market, its yield-based value at 6.0% capitalisation rate arrives to a market value of RM760 per sq ft, and is viewed to be equitable.

3.4.5 Major Property Transactions

Figure 3-17: Major En-bloc Retail Properties Transactions in Melaka

No.	Name of Building	Transaction Date	NLA (sq ft)	Value (RM)	Purchaser	Vendor
1	The Shore Shopping Gallery	March 2015	300,000	RM212,000,000 (RM706 per sq ft)	Pelaburan Hartanah Berhad	Kerjaya Prospek Sdn Bhd

Source: Savills Research

- Similar to Negeri Sembilan, en-bloc retail property transactions are rare in Melaka, with only 1 recent transaction. The Shore Shopping Gallery was acquired by Pelaburan Hartanah Berhad for RM212,000,000 in March 2015 before its completion. The mall is occupied by TANGS as its anchor tenant. In February 2016, The Shore Shopping Gallery was injected into the Amanah Hartanah Bumiputera (AHB) unit trust fund scheme RM180 million and lease back on a 10-year lease agreement. The analysed gross yield of the property is 5% per annum, equivalent to gross rental of RM2.50 per sq ft per month.

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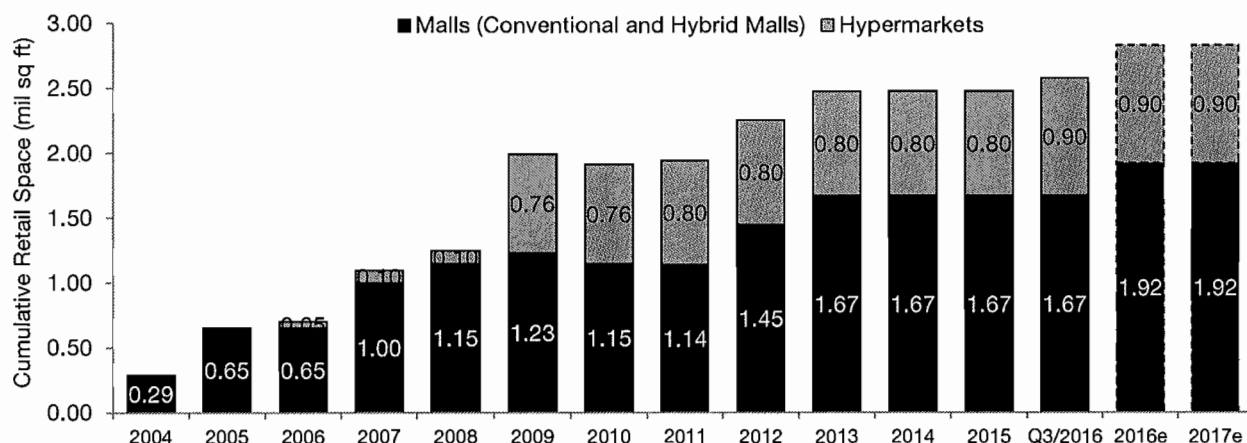
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3.5 Bangi, Selangor

3.5.1 Retail Supply

Figure 3-18: Cumulative Supply of Retail Space in Bangi and its Surrounding Areas, 2004-2017e



Source: JPPH, Savills Research

The retail supply in the Bangi retail market (defined by Bangi, Kajang/Cheras and Semenyih) stood at 2.59 million sq ft as of Q3/2016, representing 7.3% of the total retail supply in Selangor (33.9 million sq ft). There are 11 shopping centres (3 in Bandar Baru Bangi, 6 in Kajang/Cheras and 2 in Semenyih) with a total of 1.67 million sq ft, and five hypermarkets (1 in Bandar Baru Bangi, 3 in Kajang/Cheras and 1 in Semenyih) representing the remaining 0.9 million sq ft. The most recent opening was Tesco Bandar Puteri Bangi in August 2016 with a NLA of 101,182 sq ft. It is located within a 370-acre new township called Bandar Puteri Bangi by IOI Properties.

3.5.2 Future Retail Supply

We have identified three future retail developments in Bangi, Kajang, Cheras and Semenyih, with only EVO Shopping Centre (251,000 sq ft NLA) that is under construction and estimated to be opened in 2016. Another two are under planning, Lulu Hypermarket and a mall at Bandar Seri Putra. The completion of EVO Shopping Centre would contribute to an increase of 10% in the retail space supply.

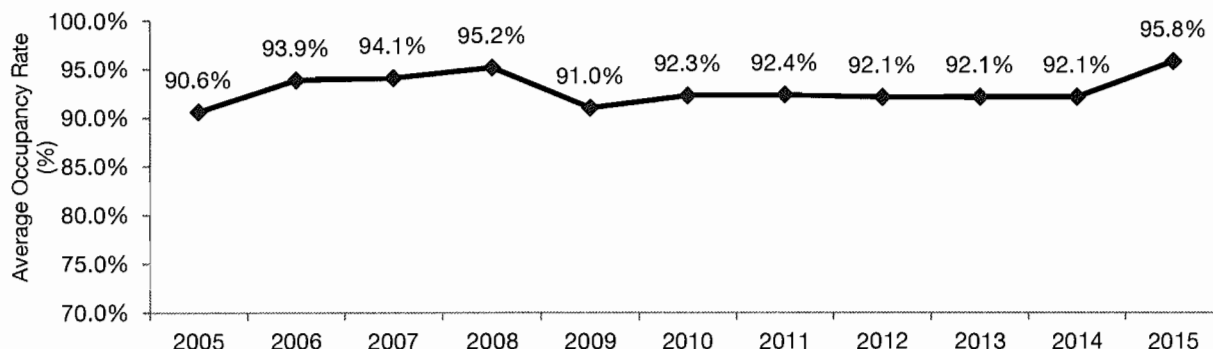
Figure 3-19: Future Retail in Bangi, 2016

No	Future Supply	Location	Type	NLA (sq ft)	Expected Completion
1	EVO Shopping Centre	Persiaran Bangi	Mall	251,000	2016
2	Mall by UM Land	Bandar Seri Putra	Mall	n.a.	Planning
3	LuLu Hypermarket	n.a.	Hypermarket	n.a.	Planning
				>251,000	

Source: Savills Research

3.5.3 Average Occupancy Rate

Figure 3-20: Average Occupancy Rate for Retail Properties in Bangi and its Surrounding Areas, 2005 – 2015



Note: Includes shopping centres, hypermarkets and arcades (old format conventional malls)

Source: JPPH

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- ▣ The average occupancy rates for the retail in Bangi and its surroundings increased to 95.8% in 2015 due to a take up in retail space in the Kajang/Cheras area. The occupancy rates has maintained at above 90% since 2004.
- ▣ The drop in occupancy rate in 2009 was attributable to new supply in the Kajang/Cheras and Semenyih areas.

3.5.4 Rents

- ▣ The table below illustrates passing rent levels in selected retail centres in the districts of Bangi and its surrounding areas.

Figure 3-21: Passing Rental Rates for Selected Retail in Bangi and its Surrounding Areas, 2015

Mall	Floor Level	Floor Area		Passing Rents (RM psf per month)	
Bandar Baru Bangi / Kajang Komplex PKNS Bangi	Ground	54 sq ft	- 560 sq ft	RM3.00 psf	- RM3.50 psf
		3,509 sq ft	- 18,105 sq ft	RM0.75 psf	- RM2.20 psf
	1	269 sq ft	- 1,938 sq ft	RM2.40 psf	- RM3.30 psf
	2	398 sq ft	- 3,014 sq ft	RM2.00 psf	- RM2.20 psf
Plaza Metro, Kajang	Lower Ground	1,356 sq ft	- 3,498 sq ft	RM6.50 psf	- RM6.60 psf
		172 sq ft	- 301 sq ft	RM10.22 psf	- RM16.63 psf
		323 sq ft	- 689 sq ft	RM6.97 psf	- RM13.01 psf
	Ground	1,206 sq ft	- 3,617 sq ft	RM7.25 psf	- RM12.54 psf
		463 sq ft	- 1,055 sq ft	RM9.29 psf	- RM19.05 psf
		172 sq ft	- 732 sq ft	RM5.67 psf	- RM16.82 psf
	2	129 sq ft	- 194 sq ft	RM5.48 psf	- RM14.68 psf
		258 sq ft	- 829 sq ft	RM5.20 psf	- RM8.36 psf
	3	1,163 sq ft	- 1,830 sq ft	RM2.60 psf	- RM5.76 psf
	194 sq ft	- 915 sq ft	RM3.25 psf	- RM5.39 psf	
Kompleks Metro Point, Kajang	Ground	570 sq ft	- 2,530 sq ft	RM2.14 psf	- RM7.71 psf
		151 sq ft	- 861 sq ft	RM3.33 psf	- RM8.82 psf
	1	1,076 sq ft	- 2,723 sq ft	RM1.55 psf	- RM5.30 psf
	2	1,335 sq ft	- 11,474 sq ft	RM1.02 psf	- RM3.00 psf
	3	226 sq ft	- 4,004 sq ft	RM1.50 psf	- RM3.47 psf

Source: JPPH

- ▣ Plaza Metro in Kajang commands the highest rents at RM19.05 per sq ft for a ground floor lot of 463 sq ft.
- ▣ Both Komplex PKNS Bangi and Kompleks Metro Point mostly command rents of less than RM10.00 per sq ft, mostly between RM1.00 per sq ft and RM4.00 per sq ft. The floor areas offered by these two shopping complexes are also bigger when compared to Plaza Metro.

Figure 3-22: Average Gross Rents of Selected Retail Properties in Selangor

No.	Name of Building (location)	Type	Type of Lease	Review Period	NLA (sq ft)	Average Gross Revenue per Month
1	Tropicana City Mall (Petaling Jaya)	Mall	Multiple leases	December 2015	448,283	RM8.53 per sq ft
2	Subang Parade (Subang Jaya)	Mall	Multiple leases	2014	504,681	RM8.35 per sq ft

Source: Savills Research

- ▣ Lacking of direct comparable to KIP Mall Bangi, we have selected 2 suburban malls, i.e. Tropicana City Mall and Subang Parade, for indication of average revenue level based on available information. Both the malls are located in prime areas with higher population density within Selangor and are not direct comparables to the Bangi Market. Average gross revenue for the two malls were recorded at around RM8.50 per sq ft in 2015 and 2014, respectively.

3.5.5 Major Property Transactions

Figure 3-23: Major En-bloc Retail Properties Transactions in Selangor

No.	Name of Building	Transaction Date	Value (RM)	NLA (sq ft)	Purchaser	Vendor
1	Kompleks Sungai Buloh	July 2012	RM68,500,000 (RM600 per sq ft)	114,130	The Store (Malaysia) Sdn Bhd	Tat Seng Fatt Holdings Sdn Bhd
2	KL Festival City	August 2014	RM349,000,000 (RM716 per sq ft)	487,342	AsiaMalls Sdn Bhd	Festival City Sdn Bhd
3	Tropicana City Mall	January 2015	~RM470,000,000* (~RM1,050 per sq ft)	448,248	Capitamalls Malaysia Trust	Tropicana City Sdn Bhd

Note: *The transaction of RM540,000,000 include Tropicana City Mall and an office tower. Value shown for the mall is an estimation.

Source: Savills Research

- ▣ For the purpose of this report, only comparable neighborhood mall transactions in Selangor are selected and shown in the table above. Neighbourhood mall transactions in Selangor range from RM600 per sq ft to RM1,050 per sq ft since 2012. Tropicana City Mall recorded a high RM1,050 per sq ft value with its prime location in Petaling Jaya, compared to the less prominent Kompleks Sungai Buloh.

4. REVIEW ON REIT PORTFOLIO

4.1 Overview of the Portfolio

- With their price competitive formats, hypermarkets have challenged small traders and sundry shops throughout the country with their presence. However, their singular focus on price points has naturally compromised both the quality and the selection of merchandise. This has enabled the growth of niche supermarkets providing better quality merchandise albeit at higher prices, to the increasingly discerning middle income groups in many submarkets in the Klang Valley. Village Grocer is a successful niche retailer catering to middle to high income families because of their fresher produce and selection of imported condiments and merchandises offered.
- Another phenomenon resulting from the hypermarkets' compromise on variety is the growth of small traders grouped together in a warehouse format as a community retail centre. This caters to the lower income families who are price sensitive but are drawn to the wider choice of goods offered by these groups of small traders as found in traditional fresh markets. These community retail centres have the added advantage of localising the merchandise (spices and fashion apparel for example) and services, to the extent of being more community-centric or neighbourhood focused than hypermarkets. KiP Mart represents this new community retail centre category successfully and thrives well, particularly in smaller towns or in the lower to middle income submarkets.
- Unlike hypermarkets who are themselves operators, KiP Marts are owners of these community retail centres, and operate them like any other mall owners would, by leasing the stalls, shops or concession space to traders and tenants. Some of the major tenants by size of KiP Mart include Pasaraya Hwa Tai, Pasaraya Songmart, Lionmas Furnishers and Courts.
- This communal retail format is sustainable as it is not dependent on a single operator which may go out of business in the face of fierce competition as in the case of Carrefour. The format has the attraction of a hypermarket in terms of its size as it mimics the structure and car park provisions of hypermarkets, but has a versatility that hypermarkets lack because of its multi-trader ethos.
- KiP Mall Bangi, unlike the KiP Marts in the portfolio, is of the conventional mall format. It is a neighborhood mall with a size of 260,674 sq ft NLA. The mall is anchored by Giant supermarket, alongside other tenants offering a wide range of merchandise, including fashion, accessories, and electronics outlets.

4.2 Target / Catchment Market

- KiP Marts are located close to major residential areas, and are able to attract its target market on a regular basis. The target market of KiP Marts is primarily families and their strategic locations augur well for its business.
- Furthermore, with its price, quality and variety advantages, KiP Marts primarily cater to the lower end of the mass market but do not require the scale and size of catchments that hypermarkets need in order to survive.

4.3 KiP Mart Tampoi

4.3.1 Description

- KiP Mart Tampoi, completed in December 2004, has a GFA of 234,319 sq ft and a lettable area of 163,669 sq ft. It sits on a 99-year leasehold land (expiring on 24 September 2092) measuring 452,191 sq ft. There are 817 carpark bays available in KiP Mart Tampoi.
- The concept and layout are as such that the anchor and sub-anchor tenants take up significantly large areas and multiple corridors of retail lots. There is a food court area as well as a car sales area within the retail centre. 10 retail lots with an approximate area of 12,500 sq ft lettable area are located on the mezzanine floor which overlooks the car sales area. Major tenants by size include Pasaraya Hwa Tai (24,333 sq ft) and Courts (Malaysia) Sdn Bhd (16,500 sq ft).
- The large lettable area allows KiP Mart Tampoi to attract a larger catchment, including from nearby housing estates located outside its catchment of 5 km radius.

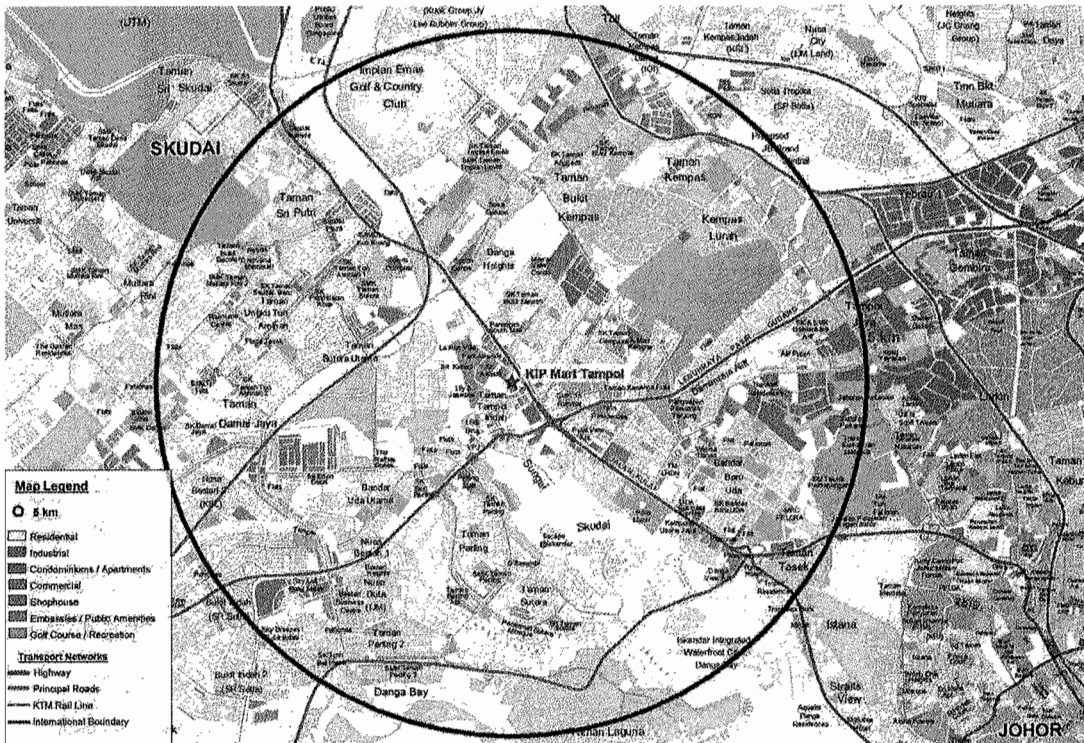
4.3.2 Location

- KiP Mart Tampoi is located within Taman Tampoi Indah, a mixed development township situated along Jalan Skudai. Jalan Skudai, also known as the Skudai Highway, connects the PLUS Highway with the Johor – Singapore Causeway. KiP Mart Tampoi is highly visible from Jalan Skudai, and is accessible from the highway via Jalan Skudai Lama.
- KiP Mart Tampoi is located adjacent to the KiPARK Apartment suites. This benefits KiP Mart Tampoi as the residential development provides a consistent flow of regular shoppers to the community retail centre. KiP Mart Tampoi also serves the lower to middle income group in nearby housing estates, namely Taman Tampoi Utama, Taman Melor, Taman Perling, Taman Impian Skudai, Taman Sri Putra, Taman Bukit Mewah, Taman Johor, Bandar Uda Utama, Taman Sutera Utama and Taman Ungku Tun Aminah.
- The immediate commercial areas are mostly shop-offices in Taman Dahlia, Taman Tampoi Utama, Taman Dato' Penggawa Barat and Pusat Bandar Tampoi Uda. Notable industrial developments within the surrounding areas include Taman Perindustrian JB Perdana, Kawasan Perindustrian Tampoi and Kawasan Perindustrian Taman Johor. These industrial parks comprise of numerous small and medium industrial companies. Notable industrial names around are Pinetech Engineering, Natural Aloe Biotech Sdn Bhd, Broad World (M) Precision Industry, Suruga Techno (Malaysia) Sdn Bhd, Industri Nikkoplas Sdn Bhd and Bio Nice Industry Sdn Bhd, amongst others. This creates employment as well as generate economic activity, providing a larger catchment for KiP Mart Tampoi.

4.3.3 Trade Area Analysis

a) Land Use

Figure 4-1: Land Use Map for Surrounding Areas of KIP Mart Tampoi



Source: Savills Research

- The table below details the breakdown of residential, commercial, industrial and other land use components within the 5km radius of KIP Mart Tampoi.

Figure 4-2: Breakdown of Land Use within 5 km Radius of KIP Mart Tampoi

Component	Land Use (acres)	(%)
Residential	4,035.00	20.80%
Commercial	795.00	4.10%
Industrial	930.00	4.79%
Public Amenities and Schools	2,291.00	11.81%
Golf and Garden	686.00	3.54%
River, Sea and Lake	1,067.00	5.50%
Others (Forest, Plantation, Roads and Open space)	9,598.00	49.47%
Total (5 km radius)	19,402.00	100.00%

Source: Savills Research

- The land use surrounding KIP Mart Tampoi shows a higher residential (20.80%) and commercial (4.10%) land use, and a lower industrial content of 4.79%. This provides a higher population catchment for KIP Mart Tampoi than KIP Mart Masai, as evidenced by the population estimate in Figure 4-3.
- According to the Johor Bahru Tengah local plan published in 2012, the current surrounding land use is 1,139 acres for development and 781 acres for infrastructure. The committed future land use for development and infrastructure are small, at 89 acres and 2 acres respectively.
- The committed future land use figures is a positive indication as it is mostly designated for commercial and residential developments, with 43.9% and 30.8% of the land allocated for the respective developments. This is followed by 14.4% of the

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committed land use designated for open space and recreation purposes, 7.2% for industrial use and 3.7% for public amenities and schools. This suggests potential developments of the surrounding areas, which may increase retail traffic to KIP Mart Tampoi in the future.

b) Population Estimates

- Our estimates based on population by Mukim, with figures published by Census in 2010 covering the Mukim of Bandar Johor Bahru, Tebrau and Pulai are shown below.

Figure 4-3: Estimation of Population within a 5 km Radius of KIP Mart Tampoi

Mukim	Population (Census 2010)	Estimation of coverage of 5 km radius	Estimation of population within a 5 km radius of KIP Mart Tampoi
Bandar Johor Bahru	124,096	20% of Bandar Johor Bahru	288,653
Tebrau	316,327	15% of Tebrau	
Pulai	360,642	60% of Pulai	

Source: Census 2010 / Savills Research

- The population within the 5 km radius of KIP Mart Tampoi is estimated at 289,000, consisting primarily the lower to middle income group.
- According to the latest official estimate by DOS, the Johor population has grown by 5.5% from 2010 to 2015. As such, the population estimate within 5 km of KIP Mart Tampoi may increase by the same quantum.

4.3.4 Performance Analysis

a) Key Tenants

- The ten largest tenants (based on trade names) by lettable area take up 46% of occupied lettable area in KIP Mart Tampoi as at 31 October 2016, and account for 18% of the total rental income.
- The table below sets out the ten largest tenants by NLA as at 31 October 2016.

Figure 4-4: KIP Mart Tampoi Ten Largest Tenants by Lettable Area as at 31 October 2016

No.	Ten Largest Tenants	Trade Category	Lettable Area (sq ft)	% of Occupied Lettable Area
1	Pasaraya Hwa Thai Sdn Bhd	Supermarket	24,333	15%
2	Courts (M) Sdn Bhd	Homebase/ Electrical/ Furnishing	16,500	10%
3	JH Fashion Enterprise	Fashion	8,525	5%
4	Lionmas Furnishers (M) Sdn Bhd	Homebase/ Electrical/ Furnishing	6,076	4%
5	Great Zone Household Centre Sdn Bhd	Homebase/ Electrical/ Furnishing	5,528	3%
6	Pustaka Azhar (Sole proprietor / Partnership)	Homebase/ Electrical/ Furnishing	5,328	3%
7	Classics Living Furniture (M) Sdn Bhd	Homebase/ Electrical/ Furnishing	3,143	2%
8	Perniagaan Serbaneka Mai (Sole proprietor / Partnership)	Homebase/ Electrical/ Furnishing	2,181	1%
9	Darson Electronic Sdn Bhd	Homebase/ Electrical/ Furnishing	2,178	1%
10	Intelek Prestij Sdn Bhd (Marry Brown)	Food and Beverages	1,996	1%
Total			75,788	46%

Source: KIP REIT Management

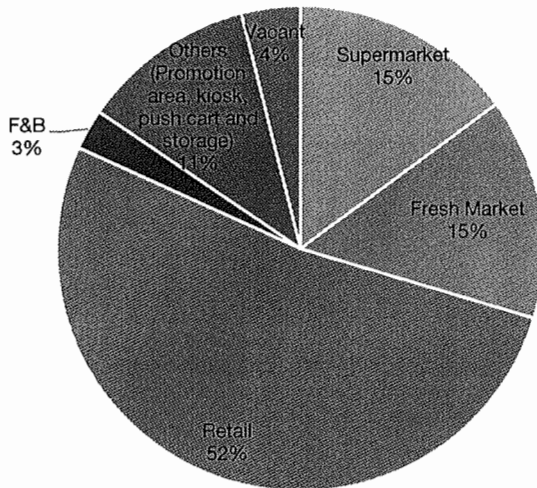
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b) Trade Mix

Figure 4-5: KiP Mart Tampoi Trade Mix Analysis by Total Lettable Area as at 31 October 2016

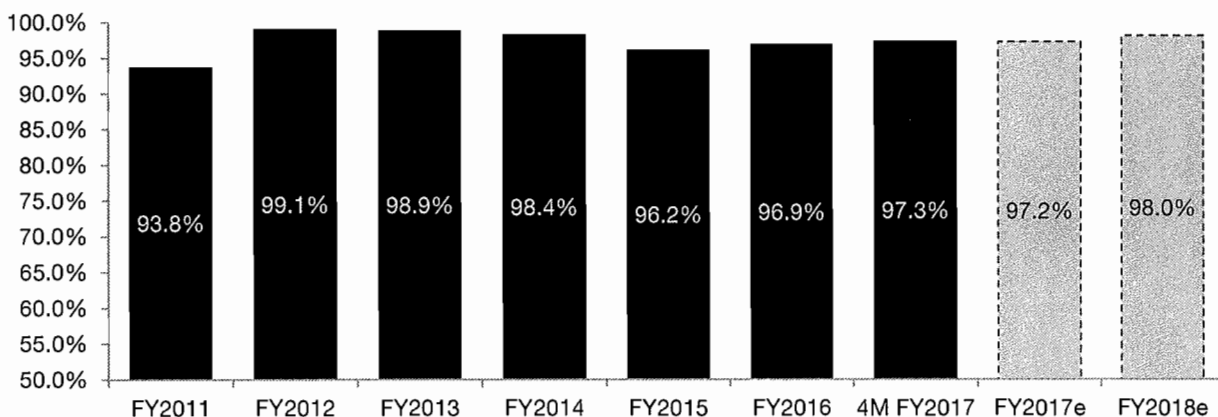


Source: KIP REIT Management and Savills Research

- The chart depicts the trade mix of KiP Mart Tampoi by total lettable area as at 31 October 2016.
- The retail trade (includes fashion apparels, fashion accessories, footwear, bags, phone accessories and household items) is the largest trade category in KiP Mart Tampoi, occupying 52% of total lettable area and contributing 44% of total rental income.
- While the fresh market and supermarket occupied 15% of total lettable area respectively, the fresh market trade is a larger rental income contributor at 25%, compared to 5% by the supermarket. This is in line with market practice, whereby anchor tenants typically have lower occupancy cost ratio.
- Notably, the 'Others' category is a significant income contributor as it contributed to 22% of rental income with 12% of total lettable area, mainly due to the small size and high per sq ft rental rate.

c) Occupancy Rates

Figure 4-6: KiP Mart Tampoi Historical Average Occupancy Rates, FY2011 – 2018e



Source: KIP REIT Management

- Occupancy rates of KiP Mart Tampoi have remained at above 90% since FY2011. This high occupancy rate is attributed to its location along the high trafficked Jalan Skudai, and its ability to attract shoppers with the variety of offerings.
- The occupancy rate averaged at 96.6% in FY2016, increased by 3.1% since FY2011. The first four months of FY2017 achieved an occupancy rate of 97.3%.
- The management projects the occupancy rate to remain stable at 97.2% in FY2017, and improve further to 98.0% in FY2018.

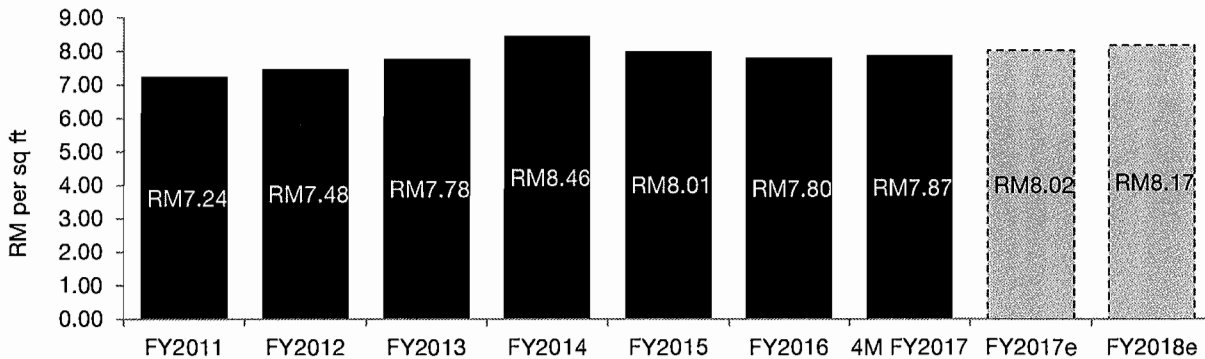
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d) Rents

Figure 4-7: KIP Mart Tampoi's Average Gross Rent (over occupied space), 2010 – 2018e



Source: KIP Mart Management

- KIP Mart Tampoi's average rental has increased from RM7.24 per sq ft in FY2011 to RM7.80 per sq ft in FY2016, translating to a CAGR of 1.5%. This stable rental growth proves that the KIP Mart format has successfully gained popularity as it matures. KIP Mart Tampoi is the first KIP Mart which opened in December 2004.
- Rental for the standard retail units (200 sq ft to 400 sq ft) ranged between RM8.00 per sq ft to RM20.00 per sq ft, lower than the benchmark rent in Giant Tampoi of RM30 per sq ft for a 100 sq ft. This indicates growth potential as the community market centre continues to be popular and attract new crowd.
- The management projects the average gross rent to reach RM8.02 per sq ft (2.8% growth) and RM8.17 per sq ft (1.8% growth) in FY2017 and FY2018, respectively.

4.3.5 Competitor Analysis

- KIP Mart Tampoi is located within a highly competitive retail area. The competitors are Eonsave Skudai, Giant Hypermarket Skudai, AEON Big Sutera Utama, Giant Hypermarket Tampoi, Giant Supermarket Perling Mall, Mydin Mart Johor Bahru, Giant Hypermarket Taman Nusa Bestari and Tesco Bukit Indah. All of these hypermarkets and supermarkets are located within 5 km radius.
- There is also competition from similar community retail centre such as @Mart Kempas. JPPH indicated passing gross rental rates for @Mart Kempas of around RM8.95 per sq ft to RM14.06 per sq ft in 2014 for retail lots sized between 172 sq ft to 430 sq ft. These figures are competitive to KIP Mart Tampoi that commands rental rate of between RM8.41 per sq ft to RM18.73 per sq ft.
- Furthermore, KIP Mart Tampoi also faces competition from the unorganised retail segment which includes local supermarkets and small convenience stores, such as Maslee Tampoi and Maslee Taman Dahlia which are local supermarkets located within the 5 km radius.

Figure 4-8: List of Competitors

Competitor	Type	Status	Location	Estimated NLA (sq ft)
@Mart Kempas	Community Retail Centre	Existing	Taman Cempaka	98,083
Eonsave @ Skudai Parade	Hypermarket	Existing	Jalan Bertingkat Skudai	136,973
Giant Hypermarket Skudai	Hypermarket	Existing	Jalan Skudai	180,000
AEON Big Sutera Utama	Hypermarket	Existing	Taman Sutera Utama	120,000
Giant Hypermarket Tampoi	Hypermarket	Existing	Tampoi	100,000
Giant Supermarket @ Perling Mall	Supermarket	Existing	Taman Perling	36,400
Mydin Mart Johor Bahru	Hypermarket	Existing	Bandar Baru Uda	10,000
Giant Hypermarket Taman Nusa Bestari	Hypermarket	Existing	Taman Nusa Bestari	116,000
Tesco Bukit Indah	Hypermarket	Existing	Taman Bukit Indah	115,000
Maslee Tampoi Dahlia	Community Retail Centre	Existing	Jalan Persiaran Dahlia	15,000
Maslee Tampoi	Community Retail Centre	Existing	SEDC Tampoi	7,000
Total Estimated NLA (sq ft)				934,456

Source: Savills Research

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4.4 KiP Mart Kota Tinggi

4.4.1 Description

- KiP Mart Kota Tinggi has a small built-up compared with other KiP Marts with a GFA of 113,958 sq ft and a lettable area of 72,232 sq ft. The land area is 168,111 sq ft with freehold tenure. There are 117 carpark bays available at the KiP Mart Kota Tinggi.
- KiP Mart Kota Tinggi was completed in November 2008, and it supports a small lower to middle income catchment of 59,827 within the 5 km radius. Major tenants include local retailers such as Pasaraya Songmart (Kota Tinggi) Sdn Bhd (17,989 sq ft lettable area) which operates as a supermarket, and Lionmas Furnishers (7,634 sq ft lettable area) which sells household items.
- Similar to other KiP Marts, KiP Mart Kota Tinggi has multiple corridors, anchor and sub-anchor tenants, an atrium for advertising and promotional activities, and a food court. There is a clear separation between the fresh market area from the dry goods area.

4.4.2 Location

- KiP Mart Kota Tinggi is located within the commercial centre of Kota Tinggi along Jalan Mawai, and enjoys high visibility from Jalan Mawai and Jalan Tun Sri Lanang, the main roads that run through Kota Tinggi. KiP Mart Kota Tinggi is also accessible from the PLUS Highway via Jalan Pandan.
- Kota Tinggi is an established township located approximately 40 km due north-east of Johor Bahru town. KiP Mart Kota Tinggi serves the lower to middle income families within the surrounding housing estates, including Taman Kota Jaya, Kampung Jawa, Kampung Makam and Kota Kecil.
- Commercial land use in the area is mostly located within the town centre and comprised mainly of shop-offices, while industrial land are located along Jalan Lombong further north-west of KiP Mart Kota Tinggi.

4.4.3 Trade Area Analysis

a) Land Use

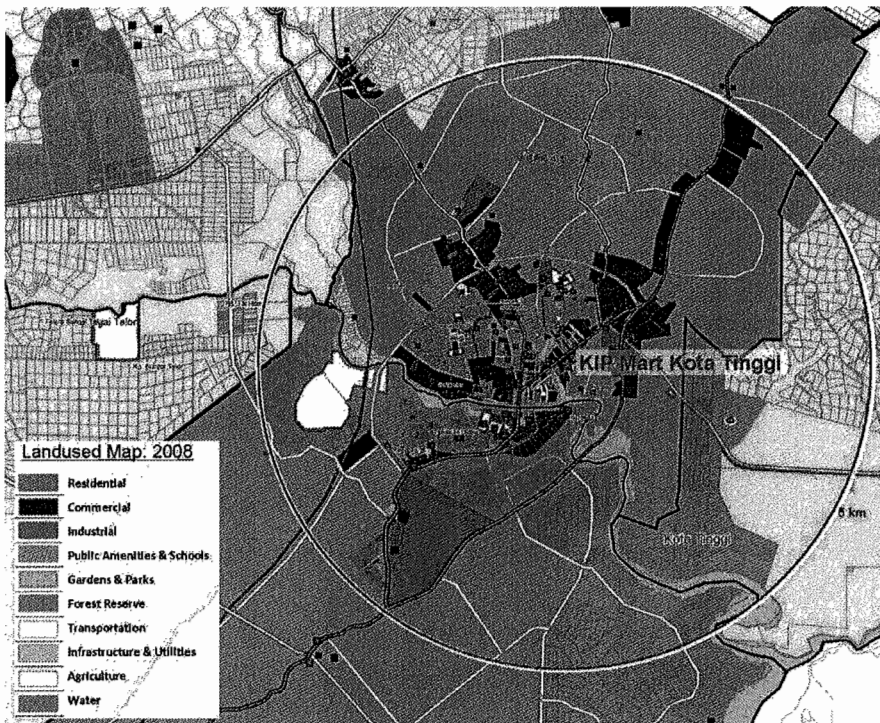
- The table below details the breakdown of residential, commercial and industrial and other land use components within 5 km radius of KiP Mart Kota Tinggi.
- Residential land use represents a high 54.0% of total land within the 5 km radius, and is expected to lead to higher catchment for KiP Mart Kota Tinggi as the town develops over time. It is also noted that agriculture land use constitutes 15.8% of surrounding land, higher than the commercial land use of 11.8%.

Figure 4-9: Breakdown of Land Use within 5 km radius of KiP Mart Kota Tinggi

Component	Land Use (acres)	(%)
Residential	10,474.25	54.0%
Commercial	2,293.55	11.8%
Industrial	1,129.11	5.8%
Public Amenities and Schools	617.48	3.2%
Gardens and Parks	327.04	1.7%
Transportation	191.51	1.0%
Infrastructure and Utilities	743.15	3.8%
Agriculture	3,064.41	15.8%
Water	341.71	1.8%
Undeveloped Land	219.78	1.1%
Total	19,402.00	100.00%

Source: Savills Research

Figure 4-10: Land Use Map for 5 km radius of KiP Mart Kota Tinggi



Source: Savills Research / Kota Tinggi Draft Local Plan 2020

- According to the Kota Tinggi local plan, future developments will focus in Kota Tinggi town centre, where KiP Mart Kota Tinggi is located. 36.5% of the new planning is allocated for residential development, followed by 36.2% for commercial, 20.6% for public and schools, 3.4% for open space and recreation and 3.3% for industrial. This may increase the retail traffic to KiP Mart Kota Tinggi in the future.
- The Kota Tinggi local plan also indicates that the main economic driver for Kota Tinggi is agriculture, representing 44.7% of the existing land use of the town in 2008. This suggests a lower income level population which is the target market for KiP Mart Kota Tinggi.

b) Population Estimates

- Based on the Census 2010 population estimates, the catchment within a 5 km radius of KiP Mart Kota Tinggi is shown below.

Figure 4-11: Estimation of Population within a 5 km Radius of KiP Mart Kota Tinggi

Mukim	Population (Census 2010)	Estimation of coverage of 5 km radius	Estimation of population within a 5 km radius of KiP Mart Kota Tinggi
Kota Tinggi	62,976	95% of Kota Tinggi	59,827

Source: Census 2010 / Savills Research

- Within the 5 km radius of KiP Mart Kota Tinggi, the population is estimated at 60,000, and is predominantly of the low to middle income group.
- According to the latest official estimate by DOS, the Johor population has grown by 5.5% from 2010 to 2015. As such, the population estimate within 5 km of KiP Mart Kota Tinggi may increase by the same quantum.

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4.4.4 Performance Analysis

a) Key Tenants

- In KIP Mart Kota Tinggi, the ten largest tenants (based on trade names) by lettable area make up 55% of occupied area, and contribute to 29% of the total rental income.
- The table below sets out the ten largest tenants by lettable area as at 31 October 2016.

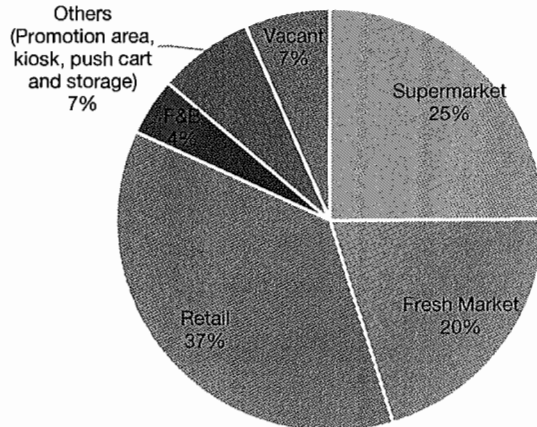
Figure 4-12: KIP Mart Kota Tinggi Ten Largest Tenants by Lettable Area as at 31 October 2016

No.	Ten Largest Tenants	Trade Category	Lettable Area (sq ft)	% of Occupied Lettable Area
1	Pasaraya Songmart (Kota Tinggi) Sdn Bhd	Supermarket	17,989	25%
2	Lionmas Furnishers (M) Sdn Bhd	Homebase/ Electrical/ Furnishing	7,634	11%
3	Linkme LM Trading Sdn Bhd	Homebase/ Electrical/ Furnishing	4,379	6%
4	Siang Heng Marketing Sdn Bhd	Fresh market	1,996	3%
5	Supergold Master Sdn Bhd	Food and Beverages	1,623	2%
6	KVNP Enterprise	Fresh market	1,465	2%
7	Kedai Kasut Angel Girl	Fashion	1,342	2%
8	Purple Fashion Sdn Bhd	Fashion	1,210	2%
9	KT Frozen Food	Fresh market	1,121	2%
10	IBS Jaya Enterprise	Fashion	949	1%
Total			39,708	55%

Source: KIP REIT Management

b) Trade Mix

Figure 4-13: KIP Mart Kota Tinggi Trade Mix Analysis by Total Lettable Area as at 31 October 2016



Source: KIP REIT Management and Savills Research

- According to the trade mix chart above, the largest trade category in KIP Mart Kota Tinggi is represented by retail trade (37%), followed by the supermarket (25%), fresh market (20%) and others (7%). While the supermarket appears to occupy a high percentage of KIP Mart Kota Tinggi compared to the other KIP Marts, it is due to the low lettable area as the supermarket size of 17,989 sq ft is in line with the others.
- The retail trade and fresh market contribute to 40% and 30% of total rental income, respectively. Similar to KIP Mart Masai and KIP Mart Tampoi, the supermarket contributes to only 8% of rental income despite the high space requirement. The rental contribution from others is particularly high at 18%, as compared to the occupied space of 7%.

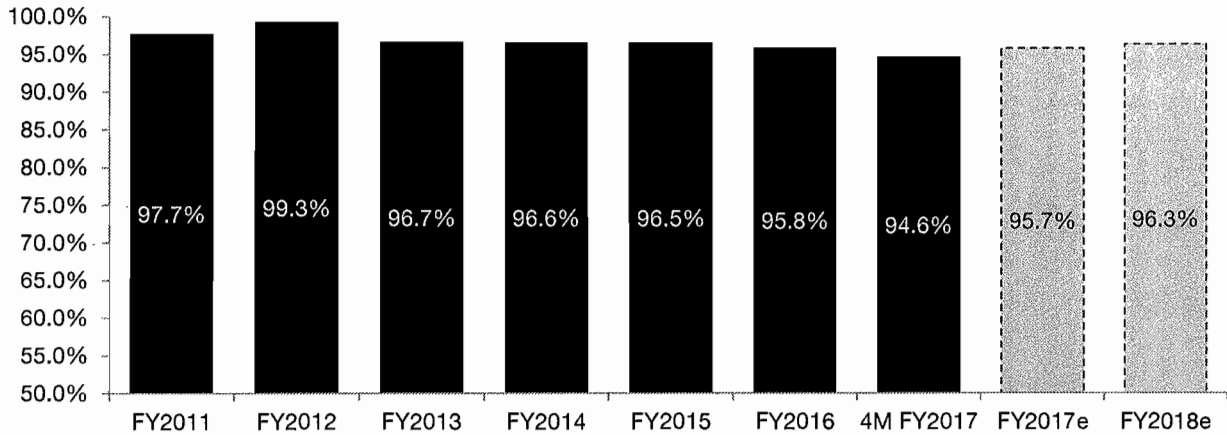
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c) Occupancy Rates

Figure 4-14: KiP Mart Kota Tinggi Historical Average Occupancy Rates, FY2011 – 2018e

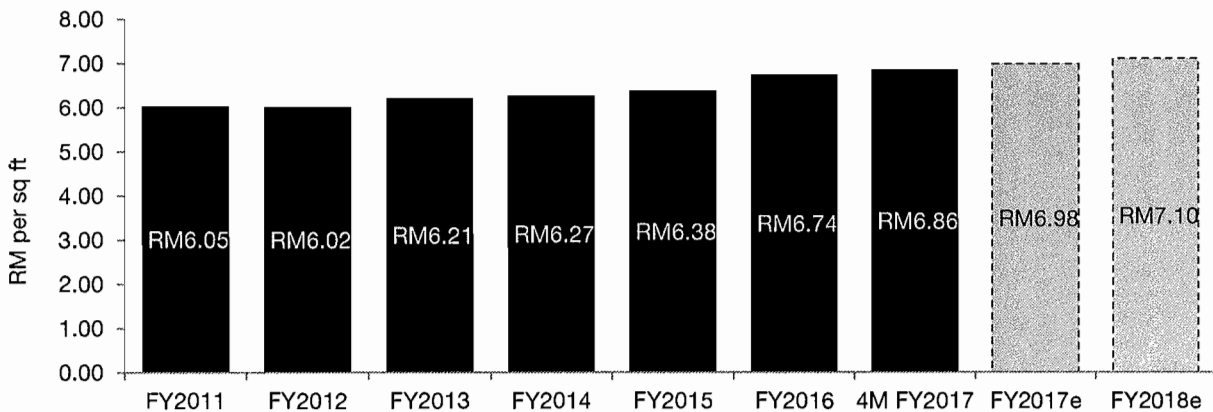


Source: KIP REIT Management

- KiP Mart Kota Tinggi operates at a lower lettable area as compared with the other KiP Marts, and requires fewer tenants to occupy the space. Average occupancy rates have maintained above 90% since FY2011, and registered at 95.8% in FY2016.
- KIP REIT Management forecasts occupancy rate to remain stable at 95.7% in FY2017, and to improve marginally to 96.3% in FY2018.

d) Rents

Figure 4-15: KiP Mart Kota Tinggi's Average Gross Rent (over occupied space), FY2011 – 2018e



Source: KIP REIT Management

- The average rental rates of KiP Mart Kota Tinggi increased from RM6.05 per sq ft in FY2011 to RM6.74 per sq ft in FY2015, translating to a CAGR of 2.2%. Highest rents were at RM25.00 per sq ft and RM30.00 per sq ft for standard retail lots and kiosks, respectively.
- Average gross rent in 4M FY2017 increased marginally to RM6.86 per sq ft as the foodcourt operator, Perniagaan Mr Noh Dan Jai vacated in June 2016, and the space was subsequently subdivided for smaller specialty tenants who commit to higher per sq ft rental in August 2016. The management forecasts average gross rent to grow by 2.2%, reaching RM6.96 per sq ft in FY2017 with higher occupancy.

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4.4.5 Competitor Analysis

- Competition for KiP Mart Kota Tinggi mainly comes from Econsave Taman Daiman Jaya located approximately 2.5 km away. Opposite of KiP Mart Kota Tinggi is Heritage Mall, a three storey local mall that was opened in 2012. It is a conventional mall as compared to KiP Mart Kota Tinggi, but shares the same supermarket anchor tenant as KiP Mart Kota Tinggi, i.e. Pasaraya Songmart. Other anchor tenants in Heritage Mall include MBO Cinema, My Box and Mr DIY.
- Other competition in the immediate surroundings is in the form of unorganised retails, including a conventional fresh market.

Figure 4-16: List of Competitors

Competitor	Type	Status	Location	Estimated NLA (sq ft)
Econsave Taman Daiman Jaya	Hypermarket	Existing	Taman Daiman Jaya	65,000
Heritage Mall	Conventional Mall	Existing	Jalan Sri Warisan	133,000
Total Estimated NLA (sq ft)				198,000

Source: Savills Research

4.5 KiP Mart Masai

4.5.1 Description

- KiP Mart Masai sits on a 99-year leasehold land (expiring on 28 December 2108) measuring 472,757 sq ft. The building has a GFA of 247,990 sq ft and a lettable area of 143,204 sq ft as at 31 October 2016. There are 577 carpark bays available in KiP Mart Masai.
- KiP Mart Masai was completed in March 2011, serving the lower to middle income groups. Major tenants include Pasaraya Hwa Tai Sdn Bhd (supermarket at 22,273 sq ft), Linkme LM Trading Sdn Bhd (household product retailer at 6,761 sq ft) and Lionmas Furnishers (M) Sdn Bhd (furniture retailer at 4,909 sq ft).
- Its layout is similar to other KiP Marts, with multiple corridors surrounding a large advertising and promotion area located close to the centre. KiP Mart Masai has a fresh market and dry goods area; the latter is air-conditioned and segregated from the fresh market area. There is also a food court and a car sales area within KiP Mart Masai.

4.5.2 Location

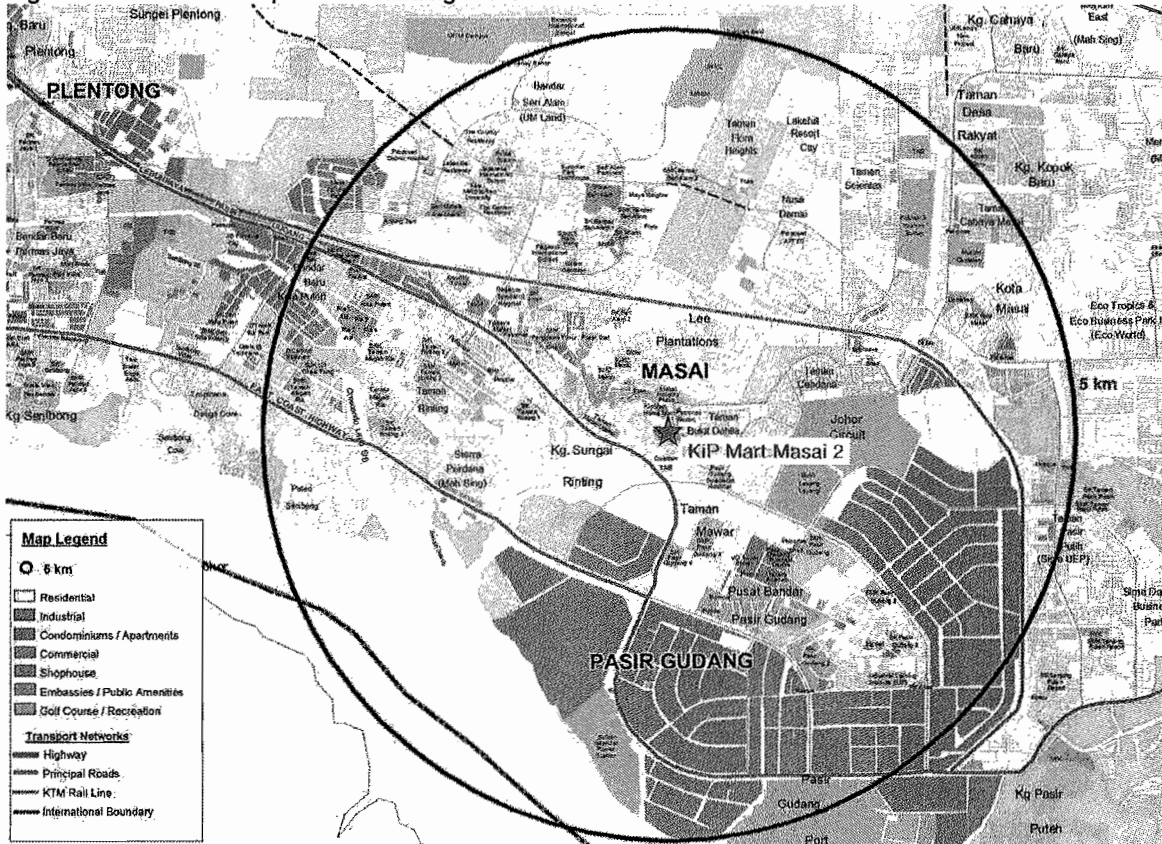
- KiP Mart Masai is strategically located in Taman Bukit Dahlia, accessible via the Pasir Gudang Highway which is the main feeder road from the North-South Expressway ("PLUS Highway") heading towards the Pasir Gudang area. It enjoys high visibility from Persiaran Dahlia 2, a trunk road off the Pasir Gudang Highway.
- Taman Bukit Dahlia is a residential suburb of Johor Bahru and is located south of Bandar Seri Alam and north-west of *Kawasan Perindustrian Pasir Gudang*. This residential development has good amenities including a lake garden, a school, a polytechnic and a hospital.
- Other neighbourhoods nearby include Taman Rinting, Bandar Baru Permas Jaya, Taman Masai Utama, Taman Megah Ria, Taman Nusa Damai and Taman Mawar. These are mostly lower to middle income neighbourhoods.
- Major occupiers in the industrial estate in *Kawasan Perindustrian Pasir Gudang* include Panasonic AVC Network, Titan Polyethylene (M) Sdn Bhd, IOI Edible Oils, MMHE Sdn Bhd, Pacific Oleochemicals Sdn Bhd and Goodhope Asia Holdings Limited. These industrial activities generates additional catchment to KiP Mart Masai.



4.5.3 Trade Area Analysis

a) Land Use

Figure 4-17: Land Use Map for Surrounding Areas KiP Mart Masai



Source: Savills Research

- The table below details the breakdown of residential, commercial, industrial and other land use components within 5 km radius of KiP Mart Masai.

Figure 4-18: Breakdown of Land Use Within 5 km Radius of KiP Mart Masai

Component	Land Use (acres)	(%)
Residential	2,333.97	12.03%
Commercial	404.00	2.08%
Industrial	3,072.35	15.84%
Public Amenities and Schools	1,610.00	8.30%
Golf and Garden	423.43	2.18%
River, Sea and Lake	1,720.66	8.87%
Others (Forest, Plantation, Roads and Open space)	9,837.59	50.70%
Total (5 km radius)	19,402.00	100.00%

Source: Savills Research

- The current land use within a 5 km radius of the KiP Mart Masai points to a high content of industrial developments that brings high employment.
- According to the local plan, 3,170 acres of land is in planning stages for development, of which 74.9% is allocated for residential development, 14.4% for commercial, 4.7% for industrial, and the remaining for public amenities and open space.
- This suggests an upside for KiP Mart Masai in terms of local economic growth as the residential developments would bring an influx of population that may spur economic activity. This may be beneficial to KiP Mart Masai with the increase of retail traffic for in the future.

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b) Population Estimates

Figure 4-19: Estimation of Population within a 5 km Radius of KiP Mart Masai

Mukim	Population (Census 2010)	Estimation of coverage of 5 km radius	Estimation of population within a 5 km radius of KiP Mart Masai
Plentong	494,152	50% of Plentong	247,076

Source: Census 2010 / Savills Research

- Within the 5 km radius of KiP Mart Masai, the population is approximately 247,000. Savills Research estimates the population to be primarily within the lower to middle income group, and which is KiP Mart Masai's target market.
- Based on the Census 2010, the catchment within a 5 km radius of KiP Mart Masai is shown below. According to the latest official estimate by DOS, the Johor population has grown by 5.5% from 2010 to 2015. As such, the population estimate within 5 km of KiP Mart Masai may increase by the same quantum.

4.5.4 Performance Analysis

a) Key Tenants

- The ten largest tenants (based on trade names) by lettable area take up 38% of occupied area in KiP Mart Masai, and contributes 19% of the total rental income. Majority of the space is taken up by the supermarket, Pasaraya Hwa Tai Sdn Bhd, followed by retailers in the household product including Linkme LM Trading Sdn Bhd and Lionmas Furnishers (M) Sdn Bhd.
- The table below sets out the ten largest tenants by lettable area as at 31 October 2016.

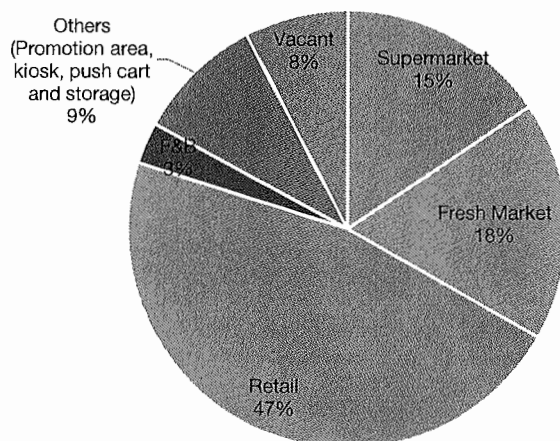
Figure 4-20: KiP Mart Masai Ten Largest Tenants by Lettable Area as at 31 October 2016

No.	Ten Largest Tenants	Trade Category	Lettable Area (sq ft)	% of Occupied Lettable Area
1	Pasaraya Hwa Thai Sdn Bhd	Supermarket	22,273	16%
2	Linkme LM Trading Sdn Bhd	Household Product	6,761	5%
3	Lionmas Furnishers (M) Sdn Bhd	Furniture	4,909	3%
4	Classic Living Decoration	Furniture	4,682	3%
5	Wanita Anggun Collection	Fashion	3,864	3%
6	Liew Peng Trading	Fresh market	2,808	2%
7	Siang Heng Marketing Sdn Bhd	Fresh market	2,519	2%
8	One Sox Sdn Bhd	Fashion	2,443	2%
9	YYU Fashion	Fashion	2,408	2%
10	IBS Jaya Enterprise	Fashion	2,261	2%
	Total		54,928	38%

Source: KIP REIT Management

b) Trade Mix

Figure 4-21: KiP Mart Masai Trade Mix Analysis by Total Lettable Area as at 31 October 2016



Source: KIP REIT Management and Savills Research

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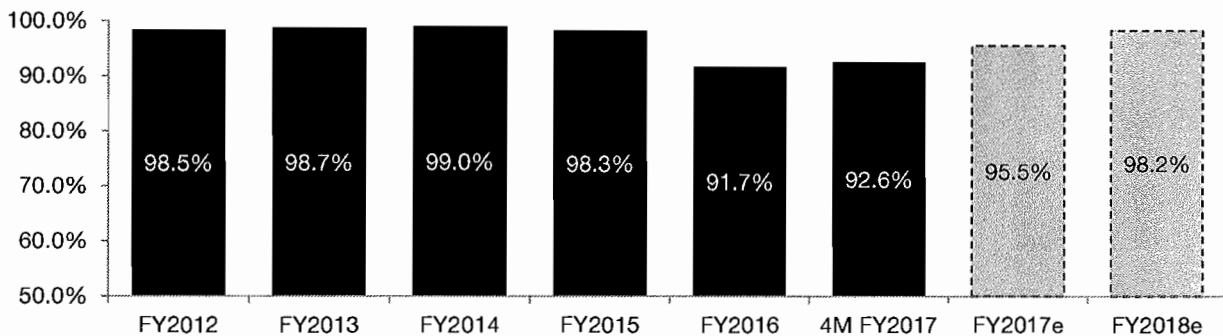
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- Figure 4-21 depicts the trade mix of KiP Mart Masai by total lettable area as at 31 October 2016.
- The largest trade category in KiP Masai is represented by the retail trade (47%), including fashion, electrical, telecommunication, among others. This is followed by fresh market and the supermarket (Pasaraya Hwa Thai Sdn Bhd) that occupied 18% and 16% of total lettable area, respectively. Notably, promotional areas, kiosk, push cart and storage, which are categories under 'Others', accounted for a significant 9% of total lettable area, while F&B occupied only 3% of lettable area.
- In terms of contribution to rental income, the retail trade is a very important component. It comprised of 101 lots within 66,819 sq ft lettable area, and contributed to about 47% of the total gross rents. The fresh market was the second largest income contributor, accounted for 25% of total gross rents within 25,281 sq ft. The third largest income contributor was represented by the promotional areas, kiosk, push cart and storage, which accounted for 20% of total gross rents in 13,501 sq ft.

c) Occupancy Rates

Figure 4-22: KiP Mart Masai Historical Average Occupancy Rates, FY2012 – 2018e



Note: Excludes promotion area
Source: KIP Mart Management

- Average occupancy rates of KIP Mart Masai has been consistently above 90% since 2012, and registered at 91.7% in FY2016 (a decrease of 6.8% from FY2012). This decline compared to 98.3% in FY2015 was due to 2 major tenants that vacated 11,885 sq ft (8% of total lettable area) in December 2015, namely SMJ Home Center Sdn Bhd and Lan Sin Trading Sdn Bhd. However, this occupancy level is higher compared to the average occupancy rates for retail properties (malls and hypermarkets) within Johor, which registered at 77.9% in 2015.
- The Management of KIP Mart forecasts the average occupancy rate to improve to 95.5% and 98.2% in FY2017 and FY2018, respectively.

d) Rents

Figure 4-23: KiP Mart Masai's Average Gross Rent (over occupied space), FY2012 – 2018e



Source: KIP REIT Management

- KiP Mart Masai recorded average gross rents of RM7.88 per sq ft in FY2012, and increased to RM9.06 per sq ft in FY2016, equivalent to a CAGR of 3.6% despite the average occupancy rate in FY2016 declined by 1.8% compared to FY2012. This suggests that average rents have moved upwards after a gestation period after its opening in March 2011.
- Majority of the standard retail units (150 sq ft to 350 sq ft) command rental of RM10.00 per sq ft to RM15.00 per sq ft. In comparison with hypermarkets, highest gross rent reached up to RM30 per sq ft for a 100 sq ft retail unit in Giant Hypermarket Tampoi. This suggests that there is still room for growth in rents depending on the levels of demand, given its consistent high occupancy rates.
- The management estimates average gross rent to decline marginally to RM8.94 per sq ft and RM8.80 per sq ft in FY2017 and FY2018, respectively, at the back of higher occupancy.