

# Outlook on Klang Valley's Industrial Property Sector



## Market Updates

The government recently announced a new perspective on several mega projects that was previously cancelled.

1H of 2019 witnessed the government decision to reinstate construction of East Coast Rail Link (ECRL) and Bandar Malaysia, which later prompted various reactions from potential investors to rekindle their interest. The re-installation decision also portrays the government consideration and optimism towards the future economic performance despite current market pressures.

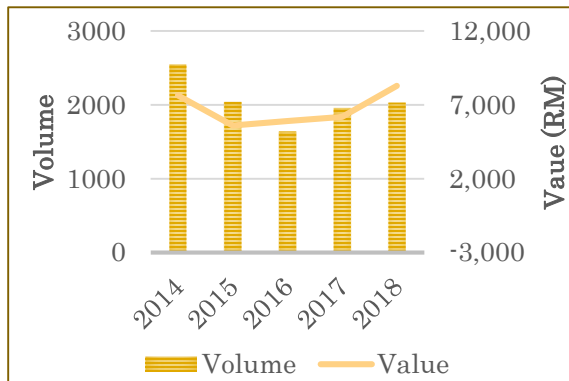
Nevertheless, in what position would it impact the property market outlook; especially the industrial sub-sector market performance?

## Industrial Market Performance

The industrial market was rather prominent throughout the nation in the year 2018. In Klang Valley, despite the fact that industrial sub sector is not the major contributor to the overall property market, it recorded a positive trend as compared to other sub-sectors transaction. The industrial sub-sector makes up 3% of Klang Valley's volume of property transaction.

Notwithstanding the highly pressurized market condition, Klang Valley industrial sub-sector manages to survive and strive to perform as it recorded an approximate 6% increase in the number of transactions (2018: 2203 units; 2017: 2072 units). Whereas value showed an increase by 34% to RM 8,624.85 in 2018 as compared to RM 6,447.81 in 2017. However, the performance of the industrial sub-sector was rather fluctuated within the past 5 years.

## Volume and Value



*Credit to: JPPH Malaysia*

### Highlight: Industrial Transaction

The industrial sub sector was rather promising as it witness several major factory/warehouse transactions throughout 2018. In Q2 2018, another Japanese tobacco company has completed the purchase of JT International (JTI) manufacturing facility in Persiaran Raja Muda, Shah Alam.

Subsequent to this, Axis Real Estate Investment Trust (Axis REIT) announced to have acquired several industrial facilities within the period of six (6) to nine (9) months of last year.

Similarly, in Q2 of 2018, Axis REIT first bought two adjoining parcels of land with four warehouse blocks, a double-storey detached office building, a double-storey canteen building and two guardhouses in Section 28, Shah Alam for RM87 million.

The organization was also reported to have bought another two freehold industrial properties, comprising a single-storey detached factory, a mezzanine office and ancillary buildings in i-Park, Indahpura, in Iskandar Malaysia, Johor for RM38.7 million.

Towards the end of 2018, they further resume their property hunt and completed the purchase of an industrial facility comprising a three-storey office with a 1.5-storey warehouse factory annexe and other ancillary buildings in Senawang Industrial Park for RM18.5 million.

Earlier this year, Western Digital made an official announcement that they are shutting down their hard disk drive (HDD)

assembly facilities in Sungei Way Free Trade Industrial Zone (FIZ) and further confirmed that it has put up the 14.6 acres facilities for sale. The high-grade facilities are looking forward at a price range of RM 250 to RM 300 psf.

### What the future holds?

Manufacturing sector served as one of the major contributors to the Malaysian economy with a share of 22.4% to the nation's GDP in 2018, such move believed to bring positive affect to the sector.



*Credit to: SMD Kundang Website*

Purchases made throughout the year based on consideration of ease of doing business in Malaysia. Supported by market-oriented economy as well as relevant government policies, investors continue to build confidence in investing and running their manufacturing businesses in Malaysia.

With current US-China trade war conflicts, Malaysia should move forward and take advantage of such crucial moment to allure high-profile investors to invest in our country. Malaysia is widely known for its low business operating costs as well as sufficient supply of high skilled workers.

As mentioned, recently made decision by the new government to reinstate the East Coast Rail Link (ECRL) project as well as possible revision of High Speed Rail (HSR) connecting Malaysia-Singapore; would be another catalyst to attract overseas manufacturers to operate their business in our country.

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