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PROPERTY developers have been expanding their presence in the industrial development space, a clear indication that this segment continues to be a popular investment choice and offers promising opportunities.

Earlier this month, CapitaLand Malaysia Trust announced that it was acquiring three prime freehold ready-built factories at the Nusajaya Tech Park in Iskandar Malaysia, Johor, for a combined RM27mil.

The acquisition marked the real estate investment trust's entry into the industrial property market, further diversifying its geographical footprint into Johor.

Last month, Mah Sing Group Bhd announced that it will be developing 185 acres of prime industrial development, named Mah Sing Business Park, Sepang, with an estimated gross development value of approximately RM728mil.

Zerin Properties chief executive officer Previn Singhe says the industrial property market remained a popular investment choice in 2023 and is expected to continue attracting investors this year.

"The industrial market was resilient and robust, as it benefited from the growth of eCommerce, logistics, warehousing and manufacturing activities," he tells *StarBizWeek*.

He notes that demand for industrial space has remained high, as more businesses expanded their operations, upgraded their facilities, or relocated to strategic locations.

"The industrial and logistics sector will benefit from increased investment in manufacturing, data centres, built-to-suit warehouses, urban distribution centres, last-mile delivery hubs and high-tech industries."

CBRE/WTW in its 2024 Market Outlook report says the demand for bigger warehouse spaces is on the rise, with new developments now starting at one million sq ft and going up to four million sq ft of gross floor area.

"These spaces are mostly located in Klang, Shah Alam and Subang. Larger spaces make it easier to store and distribute goods, but there are concerns about potential capacity saturation.

"Developers and businesses can also generate more revenue by providing specialised services in large warehouse facilities."

Moreover, CBRE/WTW says automation,

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More developers eyeing opportunities in segment

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robotics and ramps are new important elements in logistics space design to enhance efficiency and meet the requirements of international multinational corporations.

For the industrial sector, Rahim & Co in its Property Market Review for 2023 and 2024 says interests remain for newer, integrated industrial parks and supply responding in return with new plans announced for several states, including new logistics hubs.

"On Sept 1, 2023, the New Industrial Master Plan (NIMP 2030) was unveiled with the plan aspiring to chart Malaysia's industrial transformation from 2023 to 2030.

"Keeping in line with the New Investment Policy, NIMP 2030 aims to enhance future exports of more complex products from five identified sectors: aerospace, chemicals and petrochemicals,

digital economy, electrical and electronics and pharmaceuticals."

On the supply side, Rahim & Co says 2024 will see developers attempting to cater to specific industrial needs, as opposed to generic industrial offerings.

"Staying true to its stable performance, the industrial sector remains a steady pillar as Malaysia continues to be one of the hubs of choice within the South-East Asia region."

Knight Frank, in its Real Estate Highlights report for the second half of 2023 points out that data centre-related investments in Malaysia increased exponentially within the industrial property sector from 2021 to March 2023, with the amount totalling RM76bil.

"The contribution of the digital economy to the nation's gross domestic product is expected to reach 25.5% by 2025, or more than RM382bil.

"Meanwhile, the data centre market share in Malaysia is expected to grow at an estimated compounded annual growth rate of 7% for the five-year period from 2022 to 2027."

Knight Frank notes that Tenaga Nasional Bhd, the largest utility company in the country, has introduced the Green Lane Pathway initiative to offer efficient and environmentally conscious solutions to data centre operators by simplifying the onboarding process.

This is expected to expedite approval procedures and facilitate the seamless establishment of data centre operations in Malaysia, it says.

"The initiative includes expedited electricity supply services, enabling data centres to be connected three times faster than the standard delivery time.

"This reduction in time shortens the implementation period from the typical 36 to 48 months to just 12 months."

According to Knight Frank, the industrial property market in the Klang Valley registered fewer transactions in the first nine months of 2023, with 2,032 transactions worth RM8.6bil.

On an annual comparison, it said the volume of transactions was lower by circa 4.6%, albeit recording higher sales value (7.6%).

"The average price per industrial transaction was analysed to about RM4.3mil, higher by 12.7% on the year, indicating higher-valued transactions during the review period."

According to Knight Frank, the average rental rates for industrial properties (as at the second half of 2023) ranged between RM1.80 to RM2.30 per sq ft per month in Shah Alam.

Rental rates averaged at RM1.40 to RM1.70 in Kapar; RM1 to RM1.40 in Sepang; RM1.50 to RM1.80 in Port Klang; RM1.50 to RM2.30 in Bukit Raja and RM1.80 to RM2.50 in Petaling Jaya.

"The asking rentals and prices vary depending on the location and scheme, accessibility and frontage, land size and tenure, level of infrastructure, built-up area and specification and other factors," says Knight Frank.