

Property

OVERWEIGHT

Northbound Study Trip to Penang



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Kenanga Research recently conducted a study trip to Penang to gain a better sense of its real estate developments, both in residential and industrial developments. Our excursion took us around the rising Batu Kawan area as well as further up north to Kepala Batas. Among corporates which we met are ECOWLD, SKYWLD, Aspen, E&O, and SPSETIA alongside SRS Consortium (GAMUDA) for a briefing on the upcoming Mutiara Line LRT.

Overall, we were encouraged by the growing push to expand industrial offerings, as foreign direct investment in the northern region remains supportive and resilient, underpinned by continued constructive outlook on the global semiconductor and E&E sector. Our read-through of NAPIC statistics also indicates that Penang’s industrial stock remains relatively tight which supports the need for more supply. Following our visit, our preferred picks are ECOWLD (OP; TP: RM2.35) and SPSETIA (OP; TP: RM1.47), given their stronger positioning to benefit from the region’s growth trajectory.

That said, we remain cautious on the potential for residential oversupply, given simultaneous efforts from both state-led initiatives and private developers seeking to capitalise on the anticipated job creation from new industrial developments. While this could lead to further demographic clustering around emerging economic hotspots, it may not be supportive of residential property investments in the near term as supply expands, leading to compressed rental yields.

A state of development. Penang’s economy has shown strong and relatively resilient growth over the past decade, driven largely by its export-oriented technology and manufacturing base. Between 2015 and 2024, the state’s GDP expanded steadily to about RM136.9b in 2024 at a 6.4% CAGR, exceeding the national growth rate of 5.7%.

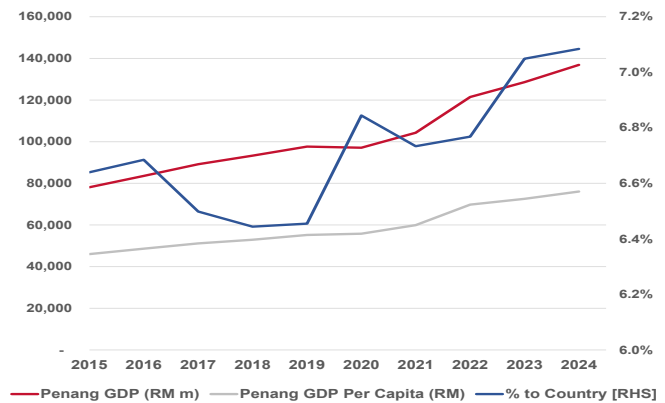
This performance was supported by government tax incentives and infrastructure development that attracted multinational semiconductor and electronics firms, establishing Penang as a key technology hub. The electrical and electronics (E&E) sector remains the backbone of the state’s economy, accounting for most manufacturing output and exports. Despite cyclical global semiconductor downturns, the industry has remained resilient due to strong multinational supply chains and sustained FDI inflows, enabling the state to rebound quickly when global technology demand recovers.

Riding on this, Penang is developing Batu Kawan (anchored by **BKIP, Batu Kawan Industrial Park**) as a new industrial growth corridor with the support from strong connectivity via the Second Penang Bridge and the North-South Expressway while complementing the mature Bayan Lepas. The area is projected to accommodate c.250,000 residents by 2036 accompanied by 45,000-50,000 housing units.

Under the Digital Economy Master Plan 2025-2030, the state aims to increase its GDP to RM156b by 2030, while creating 50,000 new jobs from digital and technology investments and upskilling up to 30% of the existing workforce. Other notable industrial developments earmarked are Bandar Cassia Technology Park, BKIP 2 and Medi-City, all within the Batu Kawan vicinity.

Can housing supply keep pace with rising demand? To support sustainable workforce expansion and population growth, the state government has introduced several initiatives to increase housing supply. Most recently, a Joint Development Agreement between the Penang Development Corporation (PDC), PDC Properties and **SKYWLD (NR)** was announced under the Rumah Bakat Baru MADANI scheme in Dec 2024. The project aims to deliver over 35,000 affordable housing units, including Rumah Mampu Milik and Rumah Bakat Baru MADANI homes, priced between RM225,000 and RM420,000. To ensure homeownership opportunities of locals, 50% of the units will be allocated to Penang-registered voters, with the remaining 50% open to other buyers.

Exhibit 1: Penang GDP Snapshot

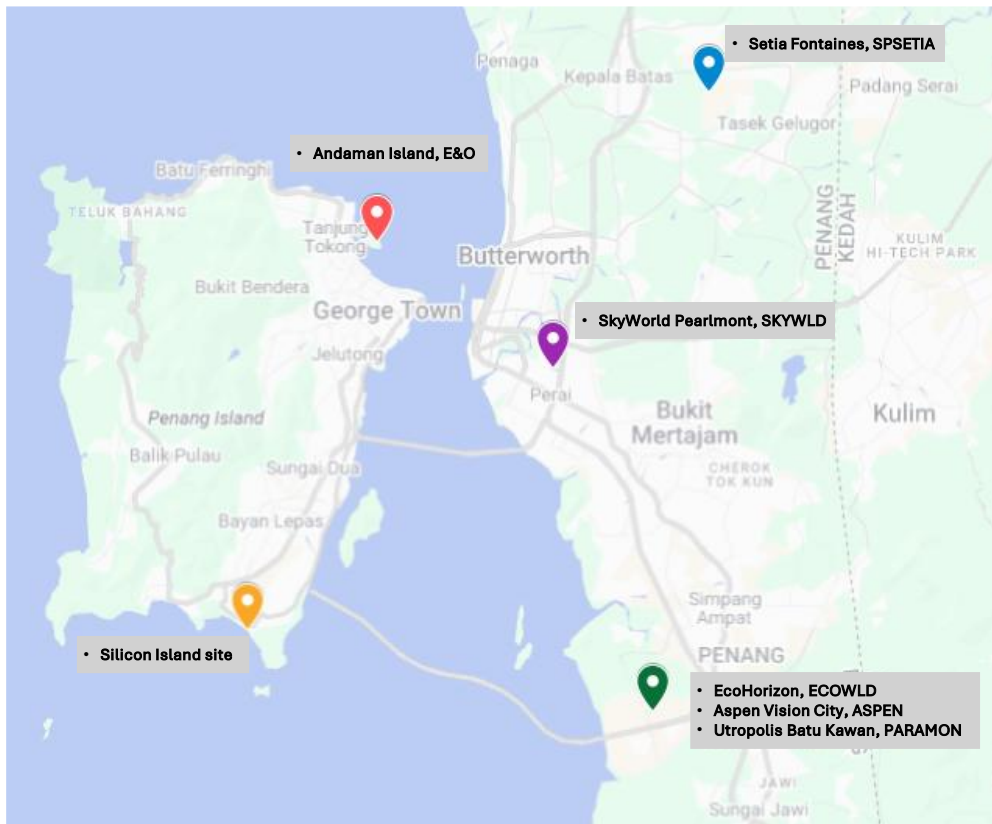


Source: DOSM, Kenanga Research



Our deep dive in this report explores the ongoing state of Penang’s housing supply as well as development hotspots across the state.

Exhibit 2: Kenanga’s Penang Study Trip Touch Points



Source: Kenanga Research

More developers fighting for the Batu Kawan pie. During our survey of three townships developed by **Aspen Group (NR)**, **ECOWLD (OP; TP: RM2.35)** and **PARAMON (OP; TP: RM1.47)**, we engaged with project representatives who were generally optimistic on sales momentum, with most projects recording healthy take-up rates of 50%-70%. That said, while ASPs appear to have appreciated 20%-30% over the past 5-7 years, we note that many of the highlighted developments are nearing the tail-end of their respective township launches. Demand also appears to be moderating, which we opine may partly reflect an increasingly competitive rental market. Notably, **PARAMON’s** Seiras development is designed with rental investors in mind, comprising dual-key and triple-key units to enhance rental accessibility and yield potential.

Exhibit 3: Selected Developments in Batu Kawan

Listed Developer	Project Name	Type	Units	Est. Completion Date	Supported Population (based on a 4-member household)
Aspen Group	Aspen Vision City				
	Versa	High-Rise	980	2027	3,920
	Vivo	High-Rise	1,530	2025	6,120
	Viluxe Courtyard	Landed	61	TBD	244
ECOWLD	Eco Horizon				
	Duduk	High-Rise	1,302	2026	5,208
	Beldon Phase 2	Landed	182	2026	728
	Dawson	Landed	718	2028	2,872
PARAMON	Utropolis Batu Kawan				
	Savana	High-Rise	522	2027	2,088
	Seiras	High-Rise	411	2028	1,644
Upcoming Development					
SKYWLD	SkyWorld Cassia	High-Rise	c.31,000	2035-2036	124,000
			36,706		146,824

Source: Companies, Kenanga Research

Looking ahead, **SKYWLD's** SkyWorld Cassia development is targeting its first phase launch by 1QCY27, with up to 3,600 units priced below RM400k. As such, we hold a cautious view on the risk of housing oversupply in Batu Kawan and potential compression of rental rates, particularly if BKIP 2 or other planned industrial developments do not see a timely rollout. While Bandar Cassia Technology Park was slated for completion in 2026, industrial commissioning and operational activities have yet to meaningfully commence, which could delay job creation needed to support housing demand in the area.

Working towards a sustainable and scalable model

Further speaking of **SKYWLD**, part of the Rumah Bakat Baru MADANI scheme includes the development of SkyWorld Pearlmont in Seberang Jaya which also looks to fuel a large supply of 1,846 units (900sf at an average RM405 psf) in its first phase with c.3,900 additional units planned in subsequent phases.

As the inaugural project under the scheme, the development will serve as the testing ground for SKYWLD's adoption of Prefabricated Prefinished Volumetric Construction (PPVC) technology. The project will be undertaken via a 70:30 joint venture with Singapore-based Teambuild Holdings, leveraging its expertise in modular construction widely used in Singapore's HDB developments to improve construction scale and cost efficiency. The PPVC manufacturing facility will be located in Seberang Perai Tengah, aimed at strengthening SKYWLD's modular construction capabilities.

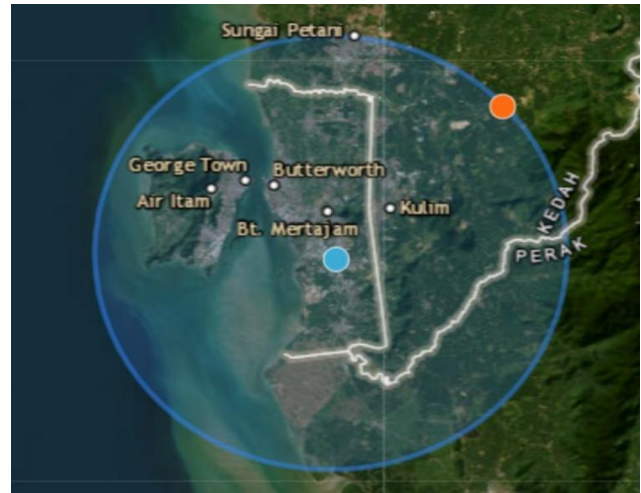
PPVC is a technology commonly used in Singapore (exceeding a decade now), and we understand SKYWLD is the first in Malaysia to roll out such technology at scale. This is thanks to project economies from a pipeline of over 37,000 affordable homes, and timeline of 8-10 years to improve the unit economics that justify the initial capex spent.

With a current production rate of 300 units a month, a huge motivation for SKYWORLD is to obtain consistent quality, where SKYWORLD commits to 85% Quality Assessment System in Construction or QCLASSIC score (above an excellent score of 80%). To be able to achieve this, much less is needed to be spent on the finishings, and reduced labour requirement for its undertakings, and in turn the need for rework. For instance, conventional plastering and silicone (material which hardens with time) is used in traditional construction versus PPVC where components are neatly casted together, which could reduce leakages etc. This is an example of an advantage over a more traditional "2D" IBS style building approach. In fact, it was interesting to note that SKYWORLD's products provide guarantee as well to their customers for a duration of 10 years.

However, equally important, is the time saved for the company. We learnt that SKYWORLD aims to shave 30% off the usual up to 36 months of construction (at a current production rate of 300 units a month). At the 900 square feet show unit we visited, the innovation of the construction is that the show unit of 900 square feet was entirely comprised of three modules pieced together. These modules are sized to be properly fitting into a trailer for ease of haulage, vastly reducing construction time on site.

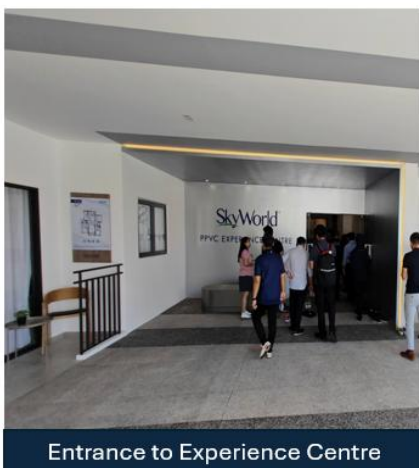
Over the longer term, SKYWLD intends to utilise the facility to supply prefabricated modules to other developers and projects, supported by a delivery radius of approximately 40km, which effectively covers the entire Penang mainland and island, as well as parts of Perak and Kedah, including Sungai Petani.

Exhibit 4: SKYWLD's PPVC Permitted 40km Delivery Radius

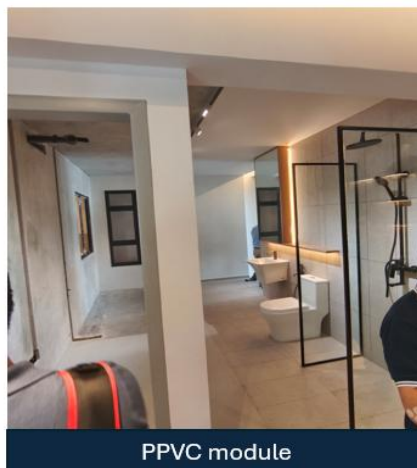


Source: SKYWLD, Kenanga Research

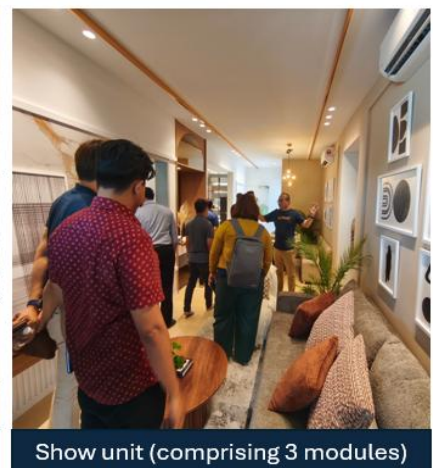
Exhibit 5: SKYWLD's PVCC Experience Centre, Seberang Jaya



Entrance to Experience Centre



PPVC module



Show unit (comprising 3 modules)

Source: SKYWLD, Kenanga Research

Going up north to ease the strain on Batu Kawan

The booming industrial scene in the northern region is also driving the development of several new industrial parks outside the immediate Batu Kawan corridor. Chief among these is the Kulim Hi-Tech Park in Kedah, located c.25km from Prai to connect with the North-South Expressway. It has emerged as a key extension of the northern semiconductor and advanced manufacturing ecosystem, hosting major multinational technology firms and continues to attract investments in semiconductor, E&E, and high-value manufacturing, benefiting from its proximity to Penang’s established supply chains and talent pool.

Not wanting to lose out, **SPSETIA** is also developing an integrated township in Kepala Batas under the Setia Fontaines development, its first project on the Penang mainland. This comprises industrial and residential components located c.10km from the nearest highway access and similarly c.25km from Prai. The township currently houses c.2,100 landed residential units, forming an early residential base for the area. Within the development, **SPSETIA** is planning a c.480-acre industrial park aimed at capitalising rising demand for industrial land in the northern corridor. The concept leverages the existing residential catchment within Setia Fontaines and surrounding neighbourhoods to provide a ready workforce base, positioning the township as a live-work ecosystem that could support manufacturers seeking alternatives to the more mature Batu Kawan and Bayan Lepas clusters.

That said, Setia Fontaines will not be the only industrial development within the area, as Ideal Property Group’s Penang Technology Park @ Bertam is also planned nearby. The project is expected to span c.880 acres, catering primarily to light and medium industries and offering more alternatives to the industrial ecosystem in the northern mainland corridor.

Not forgetting the island

While much attention has been placed on residential developments aimed at supporting growing industrial demand on the mainland, several developers are also taking steps to improve homeownership opportunities on Penang Island, where land supply remains limited. During our visit, we toured the ongoing Andaman Island project by **E&O (NR)**, a large-scale land reclamation development with a RM70b master plan that is expected to accommodate up to 250,000 residents over the course of 30 years (around 2050). The development also integrates commercial, retail, hospitality and lifestyle components to be more self-containing ecosystem. These developments are primarily built by E&O’s sister company **KERJAYA (OP: TP: RM3.05)**.

Exhibit 6: Setia Fontaines’s Proposed Industrial Park



Source: SPSETIA

Exhibit 7: Andaman Island’s Project Concept and Current Status



Source: E&O, Kenanga Research

The project forms a key component of Penang’s broader land reclamation strategy to address structural land scarcity on the island, where limited developable land has historically constrained housing supply and driven property prices higher. By introducing new land parcels for mixed-use developments—including residential, commercial and supporting infrastructure—the Andaman Island project is intended to create a new urban extension of Penang Island. In doing so, it aims to support long-term population growth, improve housing availability and sustain the island’s economic expansion while maintaining Penang’s position as a key economic hub in the northern region.

18 March 2026

Earlier developments launched between 2021-2023, namely The Meg, Arica, Sena & Fera Phases 1 and 2 have already been fully sold, delivering 1,483 new homes on the island. Upcoming launches in Andaman Island include Avea serviced apartments (1,080 units), Sena & Fera Phases 3 and 4 (68 landed units), Maris (524 units) and The Lume (261 units), which are expected to benefit from the positive sales momentum seen in earlier phases.

Indicatively, product pricing appears to exceed RM1,100 psf, broadly comparable to listings along Gurney Drive and above the RM700–RM800 psf average in George Town based on our checks. While this may support the overall uplift in island property values, it also raises questions about the balance between high-end housing supply and broader affordability, suggesting that geographic distribution of housing across the island and mainland may remain an important consideration going forward.

Long awaited connectivity within Penang Island

Addressing the need for improved connectivity and public transport access across the state, the Penang Transport Master Plan (PTMP) was introduced to ease congestion, particularly on Penang Island. A key component of the plan is the introduction of the state's first LRT system via the Mutiara Line, which will comprise 20 stations running from Penang Sentral on the mainland through Komtar in George Town before extending southwards to Bayan Lepas and the ongoing Silicon Island development. The line is intended to improve mobility across major economic corridors while supporting new growth areas such as Silicon Island, a land reclamation project planned to host future industrial parks and technology developments.

In this leg of our visit, we met with SRS Consortium Sdn Bhd, 60%-owned by **GAMUDA (OP; TP: RM5.30)** which is currently leading the development of the Mutiara Line LRT for package 1 which was officially awarded in Jan 2025 with a contract value ceiling of RM8.31b, being in charge of building tracks of up to 24km out of the 30km planned. Package 2

Works are currently in the early stages, with bored piling having commenced in Aug 2025. The package comprises over 40 sub-packages, including piling works, road widening and drainage installation. Overall progress currently stands at c.9% completion. Key upcoming milestones include the commencement of station works in Aug 2026, with a Certificate of Practical Completion targeted for May 2031. All in, the testing and commissioning phases are earmarked to be concluded in Jun 2031 before the project's **final completion in Dec 2031**.

SRS Consortium is also responsible for the reclamation works for Penang Silicon Island, a large-scale land reclamation and industrial development project located off the southern coast of Penang Island near Bayan Lepas. In addition to the growing industrial parks in Batu Kawan Industrial Park, Silicon Island looks to create a new hub for high-tech manufacturing, semiconductor industries and digital economy activities with an estimated total GDV of RM60b.

The development will span approximately 1,260 acres, with Phase 1 reclamation currently underway. Reclamation began in Sep 2023 and is expected to be completed by 2030, broadly aligning with the anticipated commencement of LRT operations and enable move-ins by 2031.

Exhibit 8: Penang Mutiara Line LRT



Source: GAMUDA, MRT Corp

Exhibit 9: Silicon Island's Project Concept



Source: Silicon Island Development

Overview, thoughts and wrap up

Supporting this expansion are figures from NAPIC, which indicate that **Penang remains among the states with the lowest excess industrial inventory**, outpacing other major industrial hubs such as Johor which has seen a steady reduction in overhang units, while Selangor continues to record a more balanced replenishment of housing supply alongside economic growth. Together, these trends suggest that housing supply in key economic centres is increasingly aligning with underlying industrial activity and population growth.

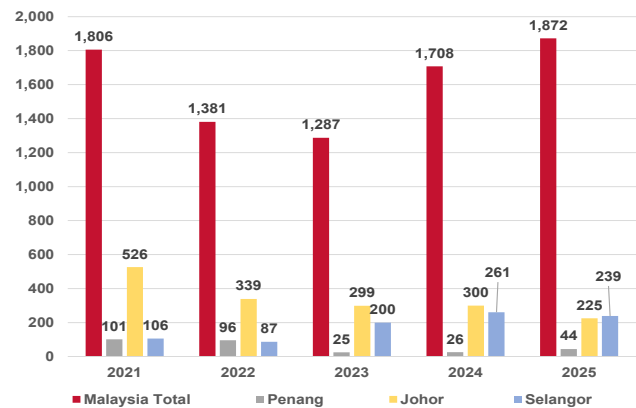
Separately, we note that Sabah and Sarawak recorded the highest number of industrial stock at 128 and 253 units, respectively. This may indicate that both states are front-loading industrial supply in anticipation of future demand, suggesting a strategy where infrastructure and factory-ready facilities are prepared ahead of investment inflows.

On the residential side, we paint a less optimistic view. Our review of NAPIC's residential data indicates that a sizeable overhang persists in Penang, with over 16,500 unsold homes recorded as at Dec 2025, inclusive of serviced apartments.

This figure excludes upcoming large-scale residential initiatives such as the Rumah Bakat Baru MADANI programme, which aims to deliver an additional 30,000 homes over 10 years, alongside other state-led developments and new launches by both listed and private developers. In addition, Andaman Island's long-term aspiration to house up to 250,000 residents over the next 30 years implies a sustained pipeline of supply, which may translate to c.2,000 new homes annually (on an assumed 4-member household) to support this target.

Anecdotally, during several site visits within the Batu Kawan area, we observed relatively light traffic, particularly beyond the Second Penang Bridge connection to the North-South Expressway. This could suggest that a portion of existing residential demand may be rental-driven, while many workers within BKIP may already be adequately housed, potentially moderating the pace of new household formation in the immediate term.

Exhibit 10: Regional Industrial Supply by Units

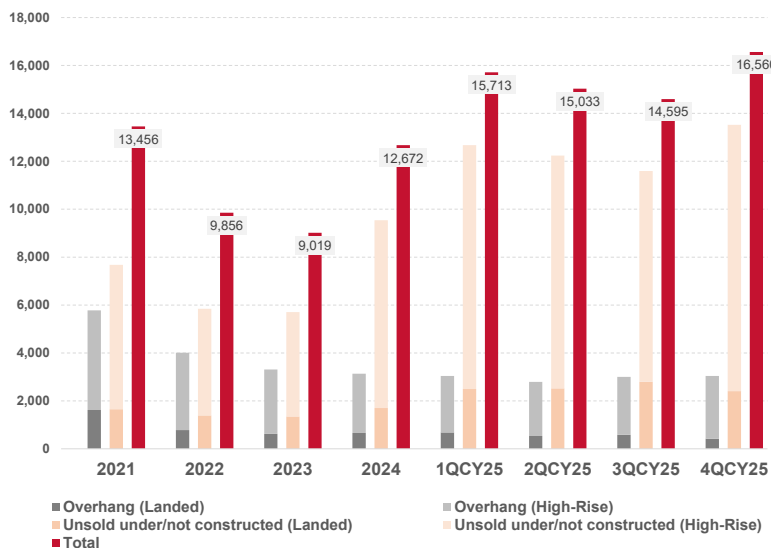


Notes:

- Includes units which are: (i) unsold and completed; (ii) unsold and under construction; and (iii) unsold but not constructed
- Includes industrial units classified as: (i) terraced; (ii) semi-detached; (iii) detached; (iv) flatted factories; (v) industrial complex; and (vi) cluster factories

Source: NAPIC, Kenanga Research

Exhibit 11: Reducing Residential Overhang in Penang Could be Undone by Incoming Supply and Then More



* Including service apartments (commercial property)

Source: NAPIC, Kenanga Research

In our view, the rising pipeline of supply (largely skewed towards high-rise developments) could dampen the rental markets. Based on our discussions with corporates during the trip, developers appear to have distinct selling propositions depending on whether projects are targeted at owner-occupiers or investment buyers (i.e. **PARAMON's** Seiras project, which is structured with rental-oriented unit layouts). On the ground, there also appears to be a tendency for developments to cluster around key economic hot spots such as Batu Kawan, Silicon Island and George Town. While this may support demand in these areas, it could also exacerbate congestion, particularly for commuters reliant on Penang Bridge 1 and 2 for travel between Seberang Perai (mainland) and the island.

4Q25 Breakdown by District	Overhang	Unsold, Under Construction	Unsold, Not Constructed
Penang Island			
Barat Daya	992	3,657	0
Timur Laut	1,288	2,681	1,443
Seberang Perai (Mainland)			
Seberang Perai Utara	305	1,446	118
Seberang Perai Tengah	266	2,460	229
Seberang Perai Selatan	189	1,366	120
Subtotal	3,040	11,610	1,910
TOTAL			16,560

18 March 2026

At the very least, we believe the state's agenda to promote affordable housing appears to be gaining traction, as prospective buyers may have access to more attainable housing options going forward. However, the continued expansion of supply could moderate the pace of price appreciation, particularly if new launches outpace underlying household formation and employment growth.

Investment plays in Penang

Overall, we believe that while the **residential market could face crowding risks if population inflows do not keep pace with job creation from new industrial developments**, landed residential projects are likely to remain resilient, given their relatively limited supply compared with high-density high-rise developments. On the other hand, industrial demand remains supportive, with industrial land supply being replenished more gradually. As such, developers with exposure to industrial developments and landed housing may be better positioned to benefit from Penang's economic growth. Spillovers from both larger residential developments and industrial parks could also lead to huge opportunities for commercial development and demand, though we have yet to see it in this region.

In this regard, we view **ECOWLD (OP; TP: RM2.35)** and **SPSETIA (OP; TP: RM1.43)** as key beneficiaries, supported by their meaningful focus on landed townships and exposure to upcoming developments. **PARAMON (OP; TP: RM1.47)** may be a relatively smaller beneficiary, as its Batu Kawan projects could face increasing competition from more affordable developments in the future. This will be made up by its presence in Kedah via Bukit Bayan, Sungai Petani, Lunas, and Kulim to provide geographic diversification, allowing it to benefit from the broader northern region growth story. That said, our large selling point for the stock remains to be earnings accretion from its recently acquired 28%-stake in Envictus International which is the master franchise owner for Texas Chicken Malaysia and SF Coffee.

Outside of Penang and for the broader property market, our sector Top Pick remains **SIMEPROP (OP; TP: RM1.97)**. The company is increasingly pivoting towards a larger industrial product pipeline, with new industrial launches now accounting for c.35% of its mix versus c.25% previously, while its upcoming data centre developments are expected to generate sustainable leasing income by FY27.

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18 March 2026

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
PROPERTY DEVELOPERS																	
Eco World Development Group	OP	2.16	2.35	8.8%	6,956.6	Y	10/2026	17.9	18.1	28.9%	1.4%	12.1	11.9	1.0	8.6%	8.0	3.7%
IOI Properties Group Bhd	UP	3.40	3.00	-11.8%	18,720.9	Y	06/2026	13.5	14.3	154.5%	5.9%	25.3	23.9	0.7	5.0%	6.0	1.8%
LBS Bina Bhd	OP	0.450	0.640	42.2%	686.0	Y	12/2026	7.1	8.1	66.5%	15.2%	6.4	5.5	0.3	6.1%	3.3	7.3%
Mah Sing Group Bhd	OP	1.07	1.78	66.4%	2,739.3	Y	12/2026	10.9	11.7	7.0%	7.3%	9.8	9.2	0.6	6.7%	5.5	5.1%
Malaysian Resources Corp Bhd	MP	0.290	0.560	93.1%	1,295.6	Y	12/2026	1.8	1.4	19.2%	-18.9%	40.8	22.0	0.3	1.7%	1.0	3.4%
Paramount Corporation Bhd	OP	1.02	1.47	44.1%	635.2	Y	12/2026	19.1	21.8	66.6%	14.2%	5.3	4.7	0.4	7.8%	7.5	7.4%
S P Setia Bhd	OP	0.940	1.43	52.1%	4,678.1	Y	12/2026	6.1	7.3	-33.3%	18.9%	15.4	13.0	0.3	2.4%	2.0	2.1%
Sime Darby Property Bhd	OP	1.35	1.97	45.9%	9,181.1	Y	12/2026	8.2	9.2	8.0%	11.4%	16.4	14.7	0.8	5.1%	3.3	2.4%
Sunway Bhd	MP	5.25	5.32	1.3%	35,492.2	Y	12/2026	20.5	19.4	7.8%	-5.4%	25.6	27.0	1.9	7.8%	6.5	1.2%
UOA Development Bhd	MP	1.84	1.91	3.8%	4,885.2	Y	12/2026	13.7	14.5	18.1%	6.0%	13.4	12.7	0.8	5.8%	12.0	6.5%
SECTOR AGGREGATE					85,270.2					24.0%	3.8%	21.8	21.0	0.7	5.4%		4.2%

Source: Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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