MALAYSIAN PROPERTY MARKET REVIEW MARCH 2008

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Conversion Rate: RM3.20 = US$1

MALAYSIA – KEY ECONOMIC INDICATORS 2007

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- GDP Growth was 6.2% in 2007.
- Growth in Q3 2007 was 6.7% p.a. led by the services sector growing at 10.5% p.a.
- Unemployment rate dropped by 0.3% to 3.1% in Q3 2007.
- Trade surplus for first 11 months 2007 decreased by 5.8% as compared to same period 2006.
- Base Lending rate unchanged.
- Ringgit strengthened against US$1 : MR3.20 as at March 2008
- KLCI ended 2007 at 1,447 points, 32% higher than end 2006. Currently at 1,230 points.
- In 2007, real estate sector together with finance, insurance, etc. contributed 15.2% to GDP.
- Inflation rate was 2%

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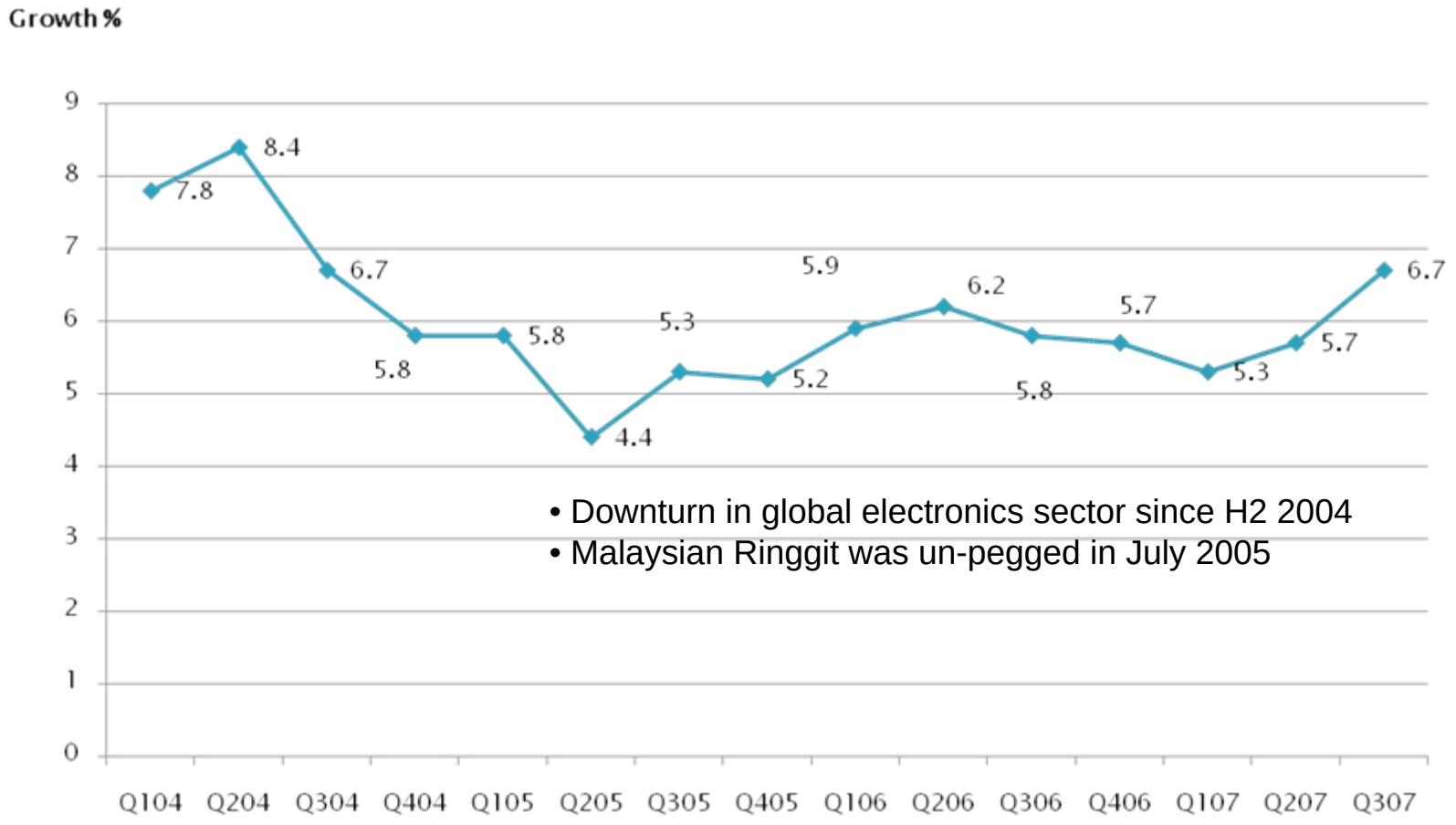
GROSS DOMESTIC PRODUCT Q104 TO Q207



- Downturn in global electronics sector since H2 2004
- Malaysian Ringgit was un-pegged in July 2005

BANK CREDIT AND LENDING

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- **Credit expansion in the banking system increased 5% in Q3 2007 from RM614 billion to RM645 billion in 2007.**
- **NPL dropped by 4.25% in Q3 2007 to RM44.44 billion.**
- **Outstanding Loans for the purchase of residential property in 2007 was more than RM173 billion**
- **RM33.14 billion was lent to the construction sector as follows:**

Housing Construction	RM 7.87 billion
Commercial Developments	RM 3.52 billion
Factories	RM 1.24 billion
Others incl. Infrastructure	RM 20.51 billion

PRICE INCREASES

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- **The Malaysian Institute of Economic Research estimates petrol price will increase by 15% - 20% in 2008 although government subsidies will continue to cushion some of the effects.**
- **Prices of construction materials increased an average of 12% in 2007.**
- **Developers may be forced to increase house prices as profit margins are squeezed.**

Type of Building Material	Price increase 2007
Steel	13.7%
Cement	57.15%
Concrete Products	213.35%
Steel fabric	17.08%
Tiles	43.88%
Bricks	6.7%

Source: Building Materials Distributors Association of Malaysia

PROPERTY MARKET OVERVIEW: 2007

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- Property Market in 2007 continued to strengthen with improved demand
- Total of 234,160 transactions worth RM55.1 billion in first 9 months of 2007.
- Volume increased 8.3% from 216,289 transactions for corresponding period in 2006.
- Total Value of transactions grew at a higher rate of 18.4% from RM46.51 billion for corresponding period in 2006.
- Residential property sector remained the primary driver
- Growth in all market sectors:

Residential	9.0%	Industrial	16.7%
Commercial	7.3%	Development Land	19.1%

PROPERTY MARKET OVERVIEW: 2007

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- 2007 has been the year of multi-million ringgit deals and record property prices
- Property Market improvement due to:
  - Strong economy which grew at 6.2%
  - Government initiatives including the waiver of Real Property Gains Tax and relaxation of Foreign Investment Committee Guidelines
  - Strong commodity prices
  - Continued interest by foreign funds and REITS to chase up property prices
  - Booming stock market
  - Bank liquidity
  - Successful Visit Malaysia Year 2007

RESIDENTIAL MARKET: MALAYSIA

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- Take-up rate in 2007 was moderate at average of 44.3% from more than 33,000 newly launched units.
- At the same time, numbers of unsold units decreased:
  - Overhang units decreased 5.6%
  - Unsold units under construction decreased 7.6%
  - Unsold units not constructed decreased 9.6%
- Terrace houses remained popular among developers with more than17,000 units launched
- More than 6,600 condominium / apartment units launched with take-up rates of more than 55%

RESIDENTIAL MARKET: KLANG VALLEY*

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- Developers were more cautious, launching fewer units and concentrated on high-end houses.
- Market prices and rentals of houses generally remained stable in 2007.
- In Kuala Lumpur, prices of double storey terraced houses in Taman Tun Dr. Ismail, Bangsar Baru and Taman Sri Hartamas recorded increases of 3.1%, 9.55 and 7.8%, respectively.
- Rentals of high rise residential units were stable with increases in preferred locations
    - Dua Residency and Suasana Sentral commanded monthly rentals between RM4,600 and RM9,000

* Klang Valley refers to Greater Kuala Lumpur

RESIDENTIAL MARKET: CONDOMINIUM: KLANG VALLEY

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- The condominium market was active especially in the 5 and 6 star categories.
- There was activity from foreign companies making en-bloc purchases, Koreans, Arabs.
- 14,777 condominium units were completed in 2007.
- Current existing stock: 169,642 condominium units
- Future supply: 55,652 units
- 15,414 units were launched in 2007, up 54.3% from 2006

RESIDENTIAL MARKET: CONDOMINIUM: KLCC

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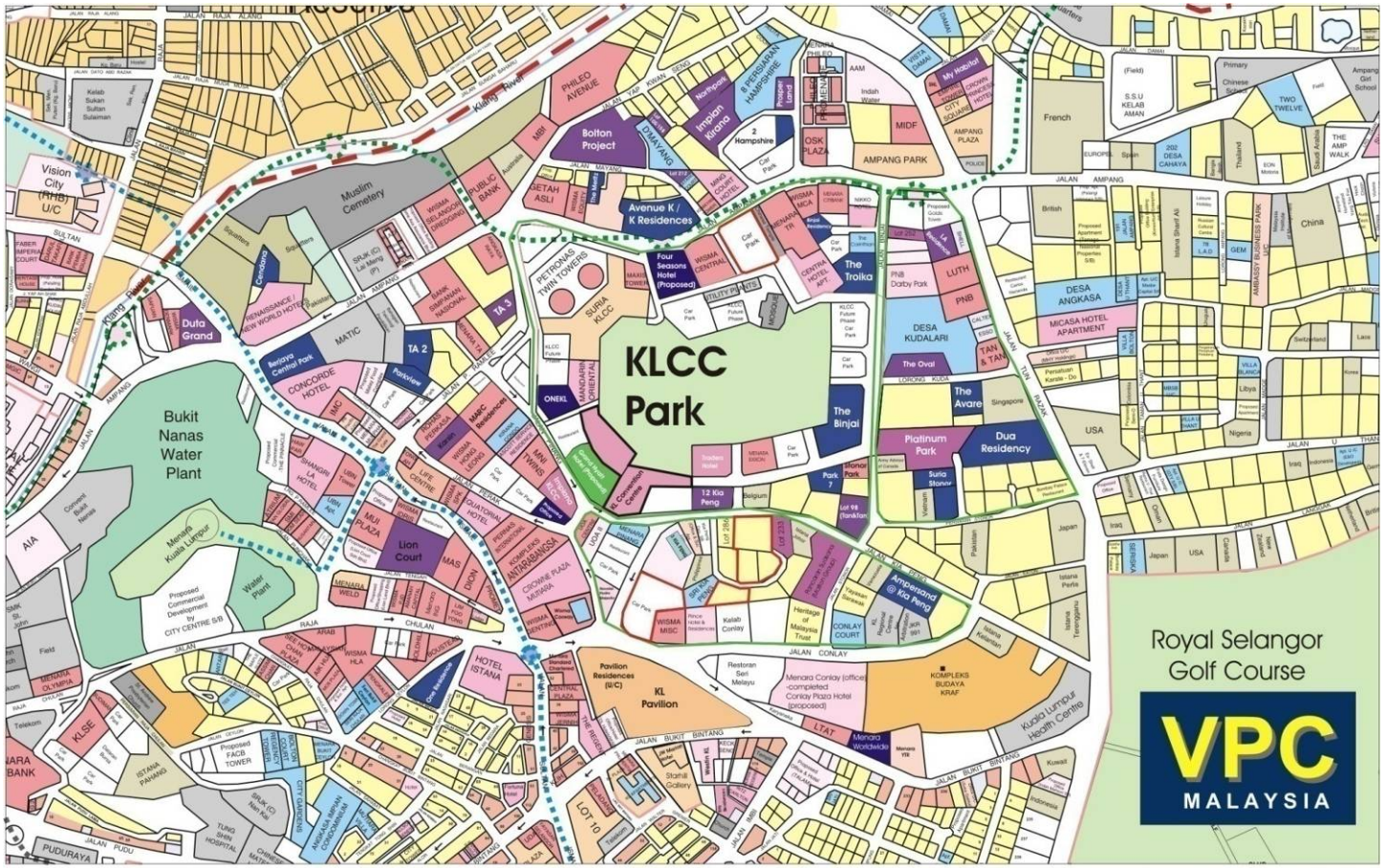

LOCATION PLAN: KLCC

Projects under construction

Projects approved/ not commenced

Projects submitted to DBKL for approval

RESIDENTIAL MARKET: CONDOMINIUM: KLCC

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- KLCC – the hottest spot for high-end condominiums
- 2007 – very good year for high-end condominiums in KLCC area For eg.

	Launch Pice (PSF)	Current Price (PSF)
Pavilion Residences	RM930	RM 1,600
One KL	RM950 – 1,000	RM2,000

- Both foreign demand and local demand
- 2008: About 2,300 condominium units will be completed
- Current Yield: 7-8%

RESIDENTIAL MARKET: CONDOMINIUM: KLCC

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KLCC Condominium Projects scheduled for completion in 2008

Project	Location	Developer	Units
Condominiums			
Idaman Residence	KLCC	Orchard Park (TA)	248
Binjai Residency	Lorong Binjai	Amity Binjai SB	100
The Binjai	KLCC	Layar Intan SB	172
Condo 1, Capital Square	Jln Munshi Abdullah	Bandaraya Devt	180
The Avare	Lorong Kuda	Magna Prima / TM	78
Suria Stonor	KLCC	Glomac	138
Park 7	KLCC	SDB Properties	105
The Meritz	Jln Ampang	DNP Holdings	110
K Residence	KLCC	Olympia Industries	188
ONE KL	Jalan Pinang	Waterfront Sdn Bhd	94
Hampshire Residences	Persiaran Hampshire	Tronoh/CapitaLand	350
Myhabitat	Jln Aman	AP Land	304
The Taragon	Jln Yap Kwan Seng	Taragon YKS SB	40
The Oval	Lorong Kuda	GuocoLand	140
The Madge	Persiaran Madge	Ambassy Park Sdn Bhd	14
			2261

COMMERCIAL MARKET: 2007: KLANG VALLEY: OFFICE

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- **Supply of purpose-built offices: 68.6 mil. sq. ft as at end 2007**
- **Estimated new supply in 2008 is 3.78 million sq. ft.**
- **Strong tenant activity resulted in net take-up of 2.72 million sq. ft of new space, 38% higher than 2006.**
- **However, Average Occupancy level was 85% in Q4 2007 as compared to 86% in Q4 2006**
- **Rental Rates were stable but rentals of well occupied prime quality buildings in KL city centre increased up to 15%.**

COMMERCIAL MARKET: 2007: KL CITY CENTRE: OFFICE

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- **Office Market: Tight (Limited New Supply)**
- **Vacancy factor: 12%**
- **Grade A Office Rent: Rose to RM6.50 psf and still going up**
- **Highest rental: Petronas Twin Towers: RM9 – RM10 psf**
- **Strata Offices: In good demand**
- **Strata Offices for Sale: UOA Bangsar, Bangsar South, Southgate**

GRADE A OFFICES

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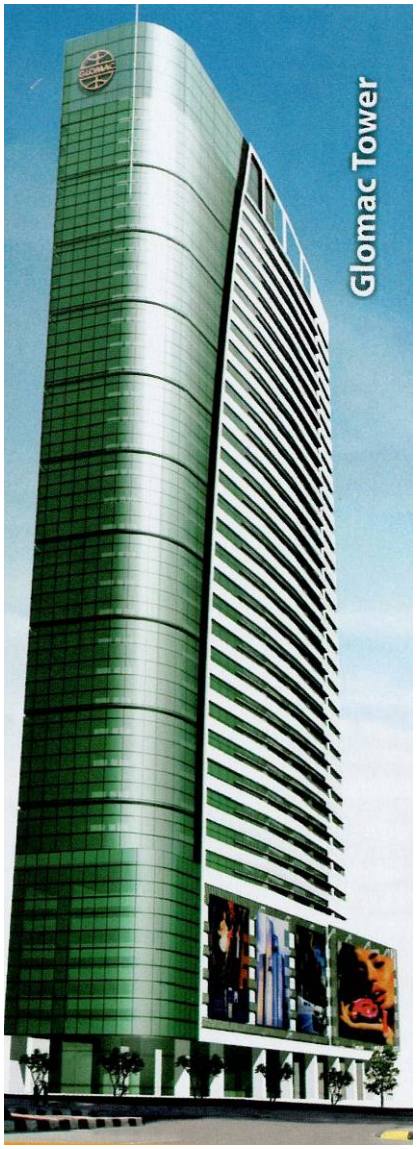
THE ICON - JALAN TUN RAZAK

Petronas
Twin Towers



STRATA OFFICES FOR SALE

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MENARA UOA BANGSAR

A Place Where Business Begins

COMMERCIAL MARKET: KLANG VALLEY: OFFICE Buildings Completed in Q4 2007

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Building	Location	NLA (sf)
Cap Square Signature Offices	Jalan Munshi Abdullah, KL	144,575
UOA Damansara II	Jalan Semantan, Damansara	275,000
Wisma PSMB (refurbished)	Jalan Beringin, Damansara	69,320
Menara LYL	Jalan 51A/223, PJ	211,349
SME Technopreneur Centre II	Cyberjaya	137,198
		837,624

COMMERCIAL MARKET: KL: SALES

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- **14 office buildings were sold in the Qtr4 2007 – Jan 2008**
- **A new record price of RM 1,258 per sq. ft. was set by the sale of 50% by YNH to Kuwait Finance House (RM920 million). Overall sale value: RM2 billion.**
- **Net yields for office investments remained unchanged at 6% for Grade A offices in Golden Triangle to 8% for offices in secondary locations.**
- **Active Buyers: Kuwait Finance House & Quill Capital Trust**

SALES OF OFFICE BUILDINGS IN Q4 2007 – Jan 2008

Building	Date of Sale	Sale Price	SP psf	NLA (sq.ft.)	Remarks
Wisma Chase Perdana	Oct-07	37,811,865	455	83,103	Strata purchase by Sitt Tatt
Kompleks Selangor	Oct-07	48,000,000		46,104	PAOS Bhd
The Icon East Wing	Nov-07	237,091,500	900	263,435	Prompt Symphony
The Icon Mont' Kiara	Nov-07	285,382,500	750	380,510	MAIWP & Prompt Symphony
UOA Bangsar	Nov-07	32,000,000	732	43,743	Purchase by UOA Reit from Makmal Capital (UOA Holdings)
UOA Pantai	Nov-07	86,000,000	546	157,481	Purchase by UOA Reit from Magna Tiara (UOA Holdings)
Menara Bumiputra Commerce	Dec-07	460,000,000	731	629,333	Pel. Hartanah Bumiputra
Glomac Tower	Dec-07	577,000,000	1120	515,179	Offer to buy from Prestige Scale Sdn Bhd
CapSquare Tower 2	Jan-08	439,320,000	732	600,000	Purchase by Union Invt Real Estate (German Fund), to be built
Menara Felda	Jan-08	640,700,000	930	689,000	Purchase by Felda, to be built
Menara YNH - 50% of Tower	Jan-08	920,000,000	1230	747,967	Purchase of 50% interest by KFH
IBM Centre Cyberjaya	Jan-08	43,000,000	538	80,000	Purchase by Quill Capita Trust
DHL Logistics Centre, S. Alam	Jan-08	28,800,000	442	65,205	Purchase by Quill Capita Trust
HSBC Processing Centre	Jan-08	22,740,000	389	58,428	Purchase by Quill Capita Trust

RETAIL MARKET: KLANG VALLEY

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- 2007: Exciting & eventful year
- Existing Supply: 41.9 million sq. ft., 13.9% up from 2006.
- 13 retail centres were completed in the Klang Valley in 2007.
- Forecast future supply in 2008 is 17.1 million sq. ft. of which about 2 mil sq. ft. will be completed in 2008.
- New retail centres are concentrated in the suburbs rather than city centre.
- Average occupancy was 86.1% at end 2007 compared to 83.6% in Q3 2007.
- Rents remained stable in Q4 2007.
- Robinsons Department Store of Singapore occupied 80,000 sq. ft. at “The Gardens” at Mid Valley.

Summary of Klang Valley Retail Market Q4, 2007 (sq. ft.)

	Existing Supply	Occupancy
City Centre		
Grade A	5,935,500	92.7%
Grade B	6,598,000	83.2%
Out of City Centre		
Grade A	1,114,000	79.7%
Grade B	2,114,500	81.3%
Out of KL City		
Grade A	5,466,200	93.3%
Grade B	8,681,200	98.0%
Others	11,993,000	
TOTAL	41,902,400	

RETAIL MARKET: KL: MAJOR TRANSACTIONS

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Shopping Centre	Location	Sale Price	Purchaser
KL Plaza	Jln Bukit Bintang	N.A.	Makna Majur Sdn Bhd
Part of Plaza Mont' Kiara with 1,499 parking bays	Mont' Kiara	RM 90 mil	Quill Capital Trust
The Atria	Petaling Jaya	RM75 mil	OSK Property Holdings Bhd
Mines Shopping Fair	Seri Kembangan	RM432 mil	CapitaLand Ltd
Summit Subang USJ	Subang Jaya	N.A.	AMFirst REIT

RETAIL MARKET: LATEST DEVELOPMENTS

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- New generation of shopping malls: KL Pavilion (1.3 million sq. ft.), The Gardens (0.8 million sq. ft.) and Sunway Pyramid Phase 2 (0.66 million sq. ft.)
- CapSquare, a 4-storey lifestyle retail centre with 220,000 q. ft. is scheduled to open in Q1 2008. Renovations and movement into the centre has been slow. 80% of the space has been leased.
- Sooka Sentral with 120,000 sq. ft. net space has been fully leased but only the ground floor was opened in Q4 2007.
- AEON Bukit Tinggi with 1,000,000 sq. ft. net space was opened in November 2007 with Jusco as the anchor tenant and TGV as the mini-anchor.
- Carrefour Klang also opened.
- Top rentals: Suria KLCC (RM70 psf), KL Pavilion (RM45 psf)

NEWLY OPENED RETAIL MALLS

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KL Pavilion

The Gardens, Mid Valley

Sunway Pyramid

HOTEL & TOURISM MARKET: GENERAL: 2007

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- 2007: Visit Malaysia Year 2007
- Contributed RM45.7 billion to the economy
- Tourism: 2nd largest foreign exchange earner
- Contributed 7.8% of GDP
- Malaysia: Value for money tourist destination

Tourism Industry: Malaysia

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- 20.1 mil tourists in Visit Malaysia Year 2007, a 14.0% increase over 17.55 mil. tourists for 2006

Malaysia Tourist Arrivals and Receipts

Year	Arrivals (million)	% Increase	Receipts (RM bil)	Recepits (US$ bil)
1999	7.93		12.321	3.571
2000	10.22	28.9%	17.335	5.025
2001	12.78	25.0%	24.221	2.035
2002	13.29	4.0%	25.781	7.473
2003	10.56	-20.5%	21.291	6.171
2004	15.70	48.7%	29.654	8.595
2005	16.40	4.5%	31.954	9.262
2006	17.55	6.8%	36.272	10.513
2007	20.10	14.5%	45.700	14.281

Source: Tourism Malaysia
US$1 = MR3.20

HOTEL SECTOR: MALAYSIA

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- There were 2,184 hotels; 151,014 rooms in Malaysia in Q3 2007

STOCK REPORT FOR Q3 2007	Total Inventory	Incoming Supply	Planned Supply
No. of hotel rooms	151,014	16,801	34,316
% Increase over Q2 2006	0.79%	3.89%	0.32%
Average Occupancy Rate for 5 star hotels		73.9%	

STOCK REPORT FOR Q2 2007	Total Inventory	Incoming Supply	Planned Supply
No. of hotel rooms	149,820	16,172	34,208
% Increase over Q4 2007	0.16%	1.74%	0.87%
Average Occupancy Rate for 5 star hotels		65.4%	

Source: NAPIC

HOTEL OCCUPANCY BY REGION

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- The average occupancy rate for hotels in the Klang Valley was 77.5% in Q3 2007.
- Occupancy rates are expected to continue to improve.

Occupancy rate of 3-5 star hotels (%)

State	Q3 2007	Q2 2007
KL	82.5	69.7
Selangor	73.5	65.0
Johor	62.0	63.4
Penang	66.1	56.0
Sabah	75.2	72.9
Sarawak	69.9	64.4

Source: Leisure Stock Report Q3 2007, NAPIC

HOTEL SECTOR: KLANG VALLEY

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- There were 33,278 hotel rooms at end 2007 compared to 33,454 rooms in Q2 2007 due to refurbishment works at several hotels
- New supply 2008 – 2010: 3,359 rooms
- Business class hotels performed better than international class hotels due to lower room rates at competitive levels of service.

Hotels Refurbished in 2007
Holiday Inn Glenmarie (previously The Pan Pacific)
The Grand Millenium (previously The Regent of KL)
The Imperial Sheraton
Hotel Istana
The Corus
Nikko Hotel

HOTEL AVERAGE ROOM RATES: KLANG VALLEY

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- The trend in average room rates was upwards in Q4 2007.

Summary of Average Daily Room Rates (RM per room per night)

	Q4 2006		Q4 2007	
KL City	**Low**	**High**	**Low**	**High**
International Class	154	495	154	545
Business Class	117	209	109	280
Budget	53	148	64	152
Outside KL City				
International Class	127	278	131	368
Business Class	110	170	115	231
Budget	89	114	85	125

HOTEL MARKET: LATEST DEVELOPMENTS

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- Success of Air Asia and other budget airlines and more liberalised open sky policy will boost tourism
- More 5-star hotels planned for KL city centre: Four Seasons, Pavilion Hotel, Grand Hyatt & possibly St. Regis
- More upside for hotel rates and occupancy

INVESTMENT HOTSPOTS FOR 2008

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- High End Residential: KLCC, Damansara Heights, Mont' Kiara / Sri Hartamas, Bandar Utama / Mutiara Damansara, Sg. Buloh / Desa Park City
- Office: KLCC, KL Sentral, Bangsar, Mid Valley
- Hotel: KLCC, Penang, Johor Bahru, Langkawi and Kota Kinabalu

MALAYSIA – ECONOMIC FORECAST 2008

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- Economy expected to remain resilient, with growth in 2008 be 5% - 6% under current global economic conditions.
- The Services Sector will be the major contributor to growth (54.3%) with a growth rate of 8.6% spurred by strong domestic consumption and higher tourist arrivals
- The March 2008 General Elections has made a major shift in the political and economic landscape of Malaysia.
- As a commodity producer, Malaysia will continue to benefit from high prices of crude oil, palm oil and rubber

CONCLUSION: 2008:
A. PROPERTY MARKET: GENERAL

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- Property market will continue to improve as prices have not peaked, but growth will be moderate
- As property prices go up, yields will come down slightly
- How the property market will perform in 2008 will depend on how the Government minimizes the downside risks

DOWNSIDE RISKS

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- US Recession will slow down world trade*
- Uncertainty in the global economic and financial environment
- Shortage and increase in prices of building materials (12% in 2007) and 15-20% in 2008 (Estimate)
- Concerns of rising oil prices
- The March 8 General Elections had caused some uncertainty in the market

* Malaysia's exports to US alone was $94.4 billion, accounting for 15.6% of total exports.

CONCLUSION
B. RESIDENTIAL MARKET: CONDOMINIUMS

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- Strong demand from foreign investors will continue into 2008
- Also more en-bloc purchases by foreign companies
- However, the leasing market will be very competitive as more condominiums are completed and enter into the market. Hence yields may come down.

RESIDENTIAL MARKET: CONDOMINIUMS:

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- Current Yields for condominium investments are estimated at 4.5% - 6% on the average and 6.5% - 8% for premium properties.
- Renewed foreign interest has continued to sustain new demand for luxury condominiums in the vicinity of KLCC, Bangsar, Damansara Heights and Mont' Kiara.
- Up-coming luxury condominium in KL City Centre are expected to be launched at "record-high" prices around RM3,000 psf.
- The "residential property gap" between Singapore and Malaysia has widened further making Malaysian luxury properties appear to be "good value"
- With ownership regulations and access to financing relaxed, demand from foreigners is expected to increase
- The best units in the better developments will lead the market but lower grade developments could experience downwards pressure on rentals and prices as the large number of projects are completed in the short term

CONCLUSION
C. Office Market

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- Take-up of locations outside KL such as PJ and Cyberjaya is increasing. Rate of increase will depend on improvement in public transport, highway connectivity and tax incentives.
- In the city centre, demand will continue to chase supply and rental rates will rise
- Few strata office developments launched: received strong demand. Prices ranging from RM550 psf – RM900 psf
- Grade A offices expected to go up to RM7 psf by end 2008

CONCLUSION
D. RETAIL MARKET

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- Concepts of shopping malls are changing to centres for leisure, entertainment, lifestyle preferences.
- Many malls are adopting the “street mall” concept
- 2007 was a very good year and most retailers anticipate 2008 to be slightly better
- Retailers are looking to expand but rising rentals and lack of upply are two of their major concerns.
- 2007: New supply of 4.1 million sq. ft.
  2008: Year of consolidation & digestion

CONCLUSION
E. Hotel Market

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- Visit Malaysia Year 2007 extended to July 2008
- Demand for hotel rooms is expected to keep pace with supply
- Competition will intensify with the entry of Accor SA Group which announced plans to operate at least 20 hotels in Malaysia.
- 2008 will see ARR & occupancy rates going up

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THANK YOU