C H Williams Talhar & Wong

WTW
INTERNATIONAL

WTW Property Market 2012

C H Williams Talhar & Wong

C H WILLIAMS TALHAR & WONG

Established in 1960, C H Williams Talhar & Wong (WTW) is a leading real estate services company in Malaysia and Brunei (headquartered in Kuala Lumpur) operating with 25 branches and associated offices. WTW provides Valuation & Advisory Services, Agency & Transactional Services and Management Services.

HISTORY

Colin Harold Williams established “C H Williams & Co, Valuer & Estate Agent” when he set up office in Kuala Lumpur in 1960. Messrs C H Williams Talhar & Wong was formed in 1973 following the merger with Johor based Talhar & Co (Valuer & Estate Agent) and the inclusion of Dato Wong Choon Kee.

PRESENT MANAGEMENT

The Group is headed by Chairman, Mohd Talhar Abdul Rahman who guides the group on policy developments and identifies key marketing strategies which have been instrumental in maintaining the strong competitive edge of WTW. The current Managing Directors of the WTW Group operations are:

► C H Williams Talhar & Wong Sdn Bhd	Foo Gee Jen
► C H Williams Talhar & Wong (Sabah) Sdn Bhd	Chong Choon Kim
► C H Williams Talhar & Wong & Yeo Sdn Bhd (operating in Sarawak)	Robert Ting
► WTW Bovis Sdn Bhd	Dinesh Nambiar

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Chairman's Foreword

We hope to convey to our readers a broad sweep of the property scene in the different parts of our nation as viewed on the ground, in situ and in real time, so to speak. The information in our report can only serve as a guide, giving at best, a sense of being there with someone you are familiar with when considering making your investments.

Publications on "How to get Super- Rich from investing in property" make popular reading. Useful as they are, note that not everyone can play the game the same way. Investments need to be tailor-made. There have been many offerings made in cyberspace of property investment opportunities. These can easily beguile many to commit themselves to what could be disappointing outcomes. How fares *Caveat Emptor?* Just as reading the fine print is advised when dealing with legally-binding documents, so too when going through development, site and building plans. The non-dedicated investor would do well to get an expert's trained eye to see beyond the glitz and graphics to decipher real reality from virtual reality. Clarifying and establishing with a fully accredited property expert, the reason, purpose and the expectations hoped for in making the investment is well advised.

Along-side "innovative", the word "sustainability" is invariably invoked in discussing development and marketing of real estate. We are seeing more and more of better built, and high quality designed buildings with greater attention to the soft and hard landscaping of the accommodating environment. We are yet to see in most instances, however, "sustainability" extended to the servicing of the facilities; more specifically to the implementation of the services that make the buildings and the environment they are in commensurate with the high quality design and construction of the buildings. As investments go, the future real value of a built-property investment will only grow if the environment it is in is commensurately sustained. Local Authorities have a critically pivotal role to play in sustaining the value of property investments.

We hope our report will help in emphasising the need to give due weight to the varying range of investment opportunities in property and the disparate levels of risk inherent in the sectors and segments of the property market in different parts of Malaysia.

Mohd Talhar Abdul Rahman

State of the Property Market

2011 was a year of steady growth and the forecast from various market sources is that Malaysian GDP growth in 2011 will be about 5% despite the deteriorating global economic scenario, namely the Eurozone crisis and the US Federal Government Budget crisis.

While we would all like to see a speedy and positive solution so that world economic growth and global trade will recover, this is unlikely to happen soon. The causes of these problems are very deep-rooted, stretching into decades of weak saving habits and conspicuous spending, which will require a fundamental shift in the lifestyles and attitudes of consumers in the developed economies before there is a path for long term and sustained economic growth.

China is now the primary hope to lead the world out of the present downward cycle of the present economic spiral. However, China's growth was driven by its exports to the developed countries while domestic consumer demand is still handicapped by the wide income disparities and absence of a large middle income consumer market segment unlike those existing in developed countries. China watchers have forecast a slowdown in China's growth momentum to 8.5% in 2012. Therefore, China is not able to step into an identical role previously occupied by the US and European countries; there will be no quick fix in sight and a world economy going through a period of low or stagnant growth is the most likely outlook for the next 2 – 3 years.

With this fragile backdrop, Malaysian exports and GDP growth will be further impacted in the coming year.

The Property Market in 2011 was stable across all sectors except for some signs of over-heating in selective locations of the residential and commercial market segments.

The housing sector continues to be the primary driver of the Malaysian Property Market and all towns and cities reported that development projects continued at an active pace with high sales take-ups and rising prices. In Penang Island, the prices of most terraced houses are over RM700,000 while most semi-detached and detached houses are in the RM million bracket.

Despite expectations of a slowdown in 2011, the volume and value of transactions of residential properties recorded a substantial increase compared to 2010. Developers are veering away from high-end niche developments and switching to more mid-range products in tandem with the Government's PR1MA scheme to put homeownership in the hands of first time buyers with easier financing and reduced stamp duty for houses below RM400,000. Borrowers with monthly income up to RM7,000 per month will qualify for the scheme. However, the basic bank loan criteria of one-third gross salary allocation for house loan repayments indicate that borrowers with monthly incomes of RM7,000 will not qualify for housing loans of RM400,000.

Government's PR1MA scheme has barely taken off but many developers may jump on the bandwagon by designing smaller houses on small land plots that can be priced in the RM300,000 range, which will be more affordable to wage earners in the RM7,000 per month gross salary income bracket in the Klang Valley.

MRT

Program Perumahan 1 Malaysia

State of the Property Market

The continued large number of abandoned projects and unsold houses (property overhang) may have prompted the Housing and Local Government Ministry to propose amendments to the Housing Development (Control and Licensing) Act 1966 for an increase in the housing license deposit from RM200,000 to 3% of estimated project cost, a maximum three-year jail term and RM500,000 fine for developers who abandon their projects. These amendments are also in line with the Government's move towards the housing industry's widespread acceptance of the "build-then-sell" system by 2015.

In targeting the mid-range market and due to the increasing scarcity of land in the city centre, developers are looking at acquiring land banks located away from KL City Centre, which may significantly reduce project land costs and consequently the selling prices to homebuyers. There has been a spate of land acquisitions by major developers in Semenyih, Rawang and other outlying areas arising from this trend, especially localities expected to have convenient access to MRT stations in the near future.

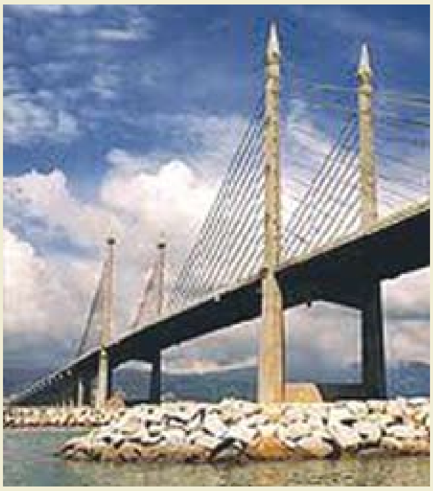
A resilient office sector exists in Kuala Lumpur but in Johor Bahru, Penang, Kota Kinabalu and Kuching, the market for purpose built offices continues to experience weak demand and consequently experience low rental rates. The bulk of office space demand in most cities are being met by shopoffice developments. Shopoffices remain the office premises of choice of small and medium sized enterprises based primarily on cost considerations and location.

In 2012, we expect the office demand-supply situation to deteriorate slightly due to the entry of new supply without corresponding new demand.

The retail sector improved in 2011 with prices and occupancy rates moving upwards. New shopping malls will be opening in Kota Kinabalu, Kuching and Ipoh.

The Malaysian Government has earmarked the tourism industry for continued expansion which contributed to the hotel sector maintaining an uptrend in 2011. With Government support and continued overseas promotions by Tourism Malaysia, we expect the tourism industry to continue growth into 2012. The tourism industry is a major contributor to GDP in Kuala Lumpur, Johor Bahru, Melaka, the East Coast, Penang and Kota Kinabalu.

A Famosa, Melaka



Penang Bridge

In the East Coast, serviced residences in Kuala Terengganu and Kota Bahru have experienced growing demand and are proving to be attractive investment alternatives. The source of demand has been identified to be more short stay / weekend accommodation for visitors from the west coast of Peninsula Malaysia. The East Coast Highway has made travelling much more convenient and therefore the frequency of week-end holiday trips to the east coast has increased. As a result, future prospects are particularly bright for serviced residences and budget hotels in the east coast.

State of the Property Market

There is an active condominium market in Kuala Lumpur, Penang, Johor Bahru, Kuching and Kota Kinabalu as reflected by the higher sales activities and sales prices in 2011. In 2012, we expect the condominium sector to moderate as compared to 2011 but to still continue on an uptrend. In the Klang Valley, condominium prices may flatten out or go downwards in 2012. There will be less new launches compared to 2011 and the trend is likely to be a lower percentage of “bungalows in the sky” type of units, which are within the financial means of only a very small market segment.

Gated developments are growing in popularity. Numerous projects were launched in Kuala Lumpur, Johor Bahru, Kota Kinabalu, Kuching and Penang.

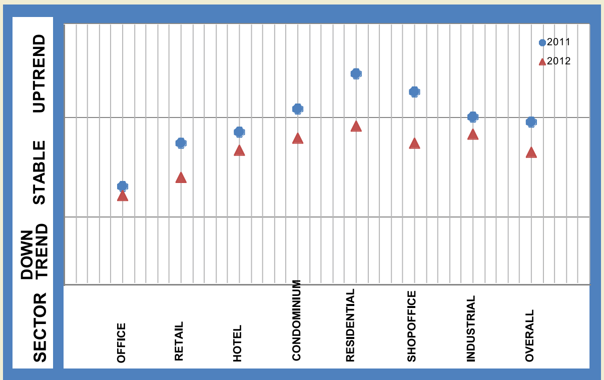
In all towns and cities, many shopoffices development project have been fully sold. At the same time, a large numbers of shopoffices were observed to be vacant indicating poor rental yields and that more retail and commercial outlets cannot be supported currently at those localities. A downturn in the economy could see a rise of loan defaults and foreclosures in this sector.

The industrial sector remains subdued in most parts of Malaysia, partly due to the decisions of many manufacturers to relocate their labour-intensive manufacturing plants in China and other emerging economies in the past decade. There will be continued market demand for industrial sites in established areas by companies which remained in Malaysia and expanded operations as well as by new manufacturers investing in Malaysia, where a highly educated work force is needed. However, there is virtually no new supply of industrial sites. There is a shortage of logistics and warehousing facilities in the Klang Valley, Penang and especially Johor Bahru. Due to this shortage, the outlook is for industrial rental rates to trend upwards in 2012.

In 2012, the Malaysian Property Market will see further growth, albeit at a slower pace than 2011. Prices, occupancy rates and sales rates will be maintained or improve slightly except for high-end condominium demand and office rentals in the Klang Valley where we anticipate downward pressure in 2012.

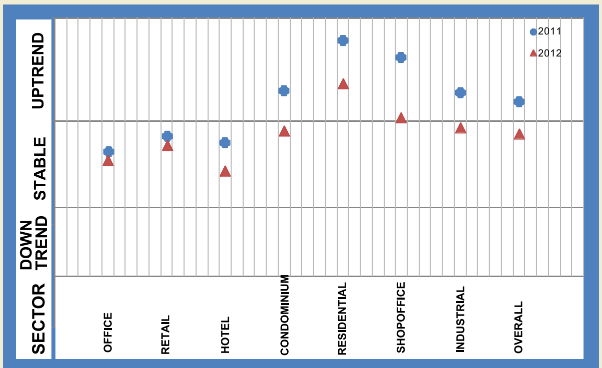
Market Direction by Sectors

WTW branch office managers were polled as to the market direction of eight (8) property sectors in 2011 and 2012 (office, retail, hotel, condominiums, residential, high-end residential, shop-office and industrial) by 3 criteria (transaction activity, price and occupancy / sales rate): Uptrend, Downtrend or Stable/Flat. These inputs were assigned numeric values and combined to derive a single number which was classified as Downtrend, Stable or Uptrend.



MARKET DIRECTION BY TRANSACTION ACTIVITY

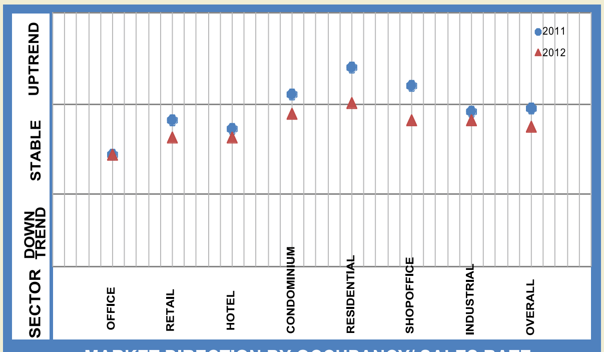
Based on these numeric scores, the residential, condominium and shopoffice sectors reported increased transactions while all other property sectors recorded marginal / no increase in transaction volume in 2011. In 2012, transaction volumes are projected to be lower than 2011.



MARKET DIRECTION BY PRICE MOVEMENT

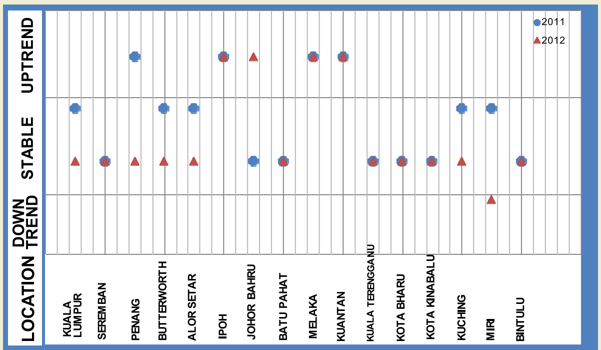
In 2011, prices and rents for condominiums, houses, shop-offices and industrial properties moved up. In comparison, the prices in the office, retail and hotel sectors were more stable. In 2012, the outlook is that price increases will moderate.

State of the Property Market



MARKET DIRECTION BY OCCUPANCY/ SALES RATE

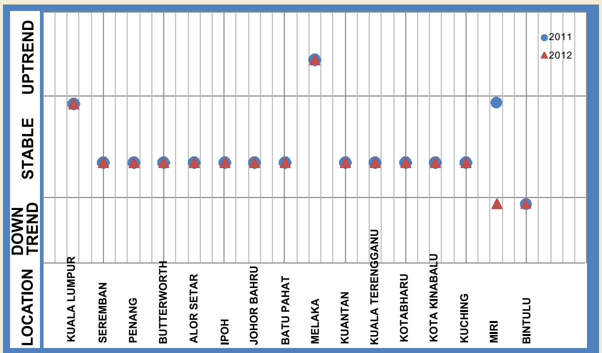
Occupancy rates and sales rates in 2011 remained stable as compared to 2010. Going forward into 2012, there will be downward pressure on occupancies and sales particularly in the office sector.



HOTEL SECTOR MARKET DIRECTION BY CITY

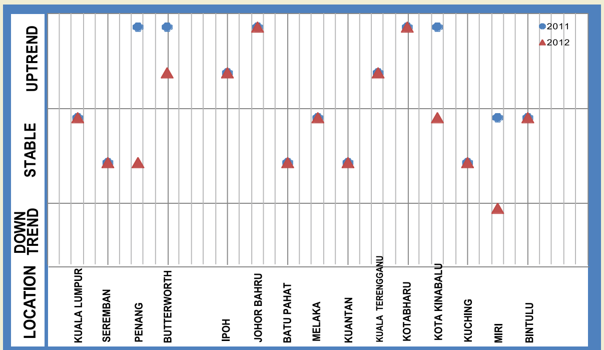
In 2011, the hotel sector was up in Penang, Ipoh, Melaka and Kuantan while in Miri, the hotel sector softened. Elsewhere hotels reported marginal or no growth in rates or occupancies. In 2012, the hotel sector is expected to show flat or lower growth across the board except for Johor Bahru.

Market Direction by Cities



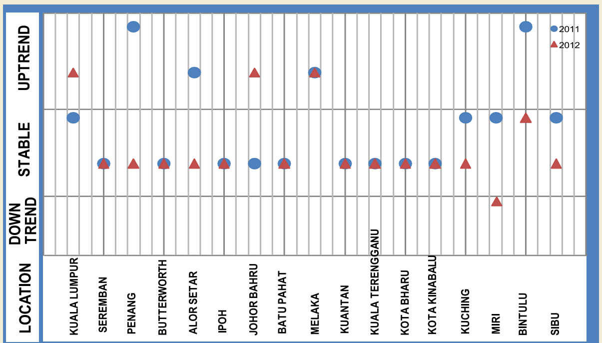
OFFICE SECTOR MARKET DIRECTION BY CITY

The office sector did not perform well in most cities in 2011 but relatively better market conditions were observed in Kuala Lumpur, Melaka and Miri. In 2012, the outlook for the office sector in respective to individual cities is expected to be unchanged compared to the previous year.



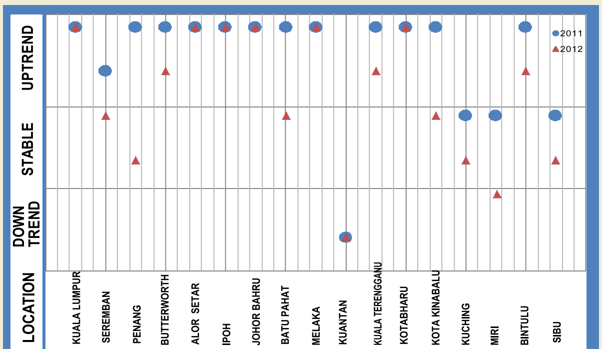
CONDOMINIUM SECTOR MARKET DIRECTION BY CITY

The condominium market recorded strong growth in Penang, Butterworth, Johor Bahru, Kuala Terengganu and Kota Kinabalu in 2011. In Johor Bahru and Kota Kinabalu, this growth is projected to be sustainable through 2012 but elsewhere, the market is forecast to stagnate.



RETAIL SECTOR MARKET DIRECTION BY CITY

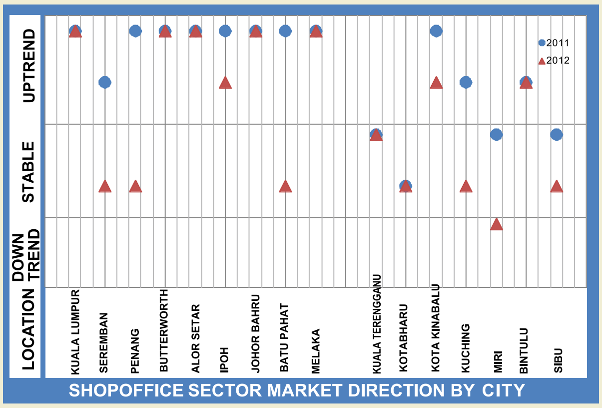
The retail sector improved in selected cities, namely Penang, Alor Setar, Melaka and Bintulu. Elsewhere, the market was stable with marginal or no movement compared to 2010. In 2012, improved retail property markets are forecast for Kuala Lumpur, Johor Bahru, and Melaka.



RESIDENTIAL SECTOR MARKET DIRECTION BY CITY

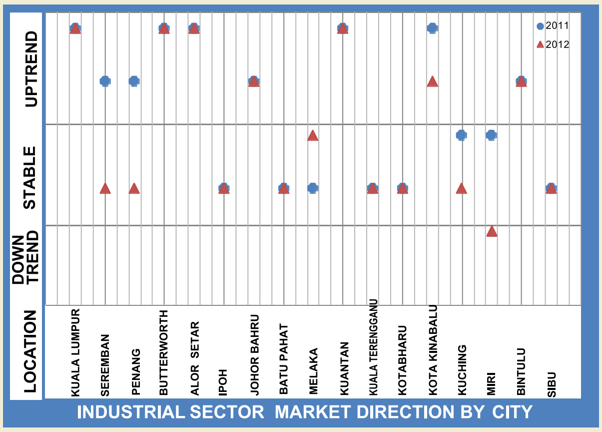
All cities reported continued strong expansion of the landed residential sector in 2011 except in Kuantan, Kuching, Miri and Sibu. The strong residential market is expected to be maintained in 2012 but our branches in Seremban, Penang, Batu Pahat, Kota Kinabalu and Kuching are concerned that the rapidly rising house prices may not be sustainable.

State of the Property Market



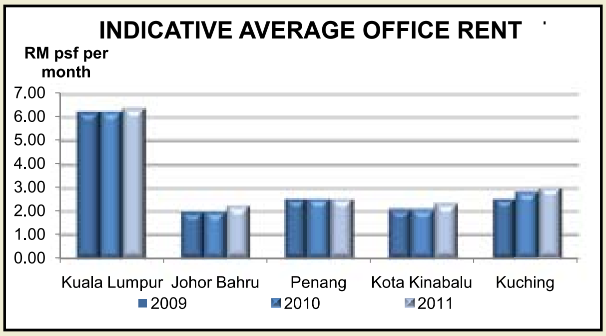
The shopoffice sector continued to grow with high sales rates in 2011 across the board except for weaker demand in Kuala Terengganu, Kota Bharu, Miri and Sibu.

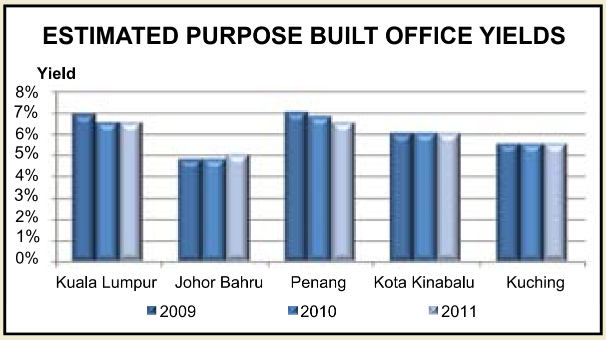
In 2012, the demand and sales of shopoffices could decline in Seremban, Penang, Batu Pahat, Kota Kinabalu, Kuching as well as Kota Bharu, Miri and Sibu due to the present large number of vacant shopoffices.

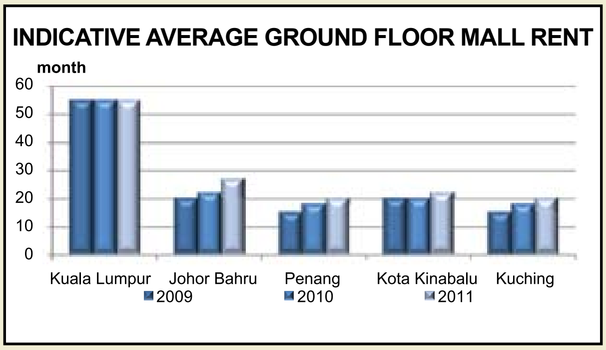


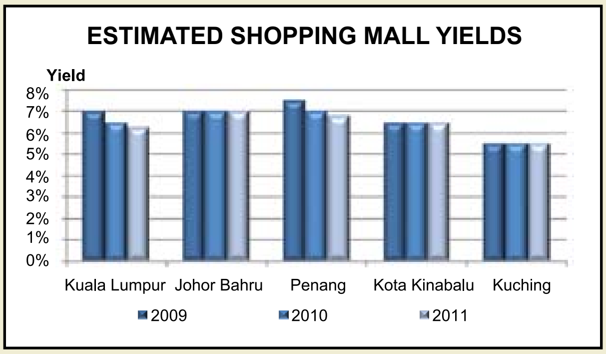
The industrial sector in 2011 was up in Kuala Lumpur, Seremban, Butterworth, Penang, Alor Setar, Kuantan, Kota Kinabalu and Bintulu which will extend into 2012. Elsewhere, the industrial sector is projected to remain stable or weaken slightly.

Summary of Selected Values and Yields 2009–2012









Note :
*Office and retail rental rates as tabulated above are only for purposes of providing benchmarks for comparing property rental rates found in the cities and towns **where WTW practice**. Rental rates as tabulated above were not based on any specific property or location and as such cannot be applied to any individual property.*
Yields as tabulated above represent current capitalization rates after provision of all expenses and outgoings in the light of our valuation and consultancy practice and are not based on actual property transactions

State of the Property Market

Indicative Average Prices of Residential Properties, 2011

Location	Terraced Houses	Semi-detached Houses	Condominiums (RM psf)
Kuala Lumpur	RM500,000	RM1,400,000	RM1,100
Seremban	RM180,000	RM340,000	NA
Penang	RM700,000	RM1,200,000	RM450
Butterworth	RM300,000	RM450,000	RM230
Alor Star	RM300,000	RM400,000	NA
Ipoh	RM250,000	RM400,000	RM300
Johor Bahru	RM380,000	RM600,000	RM330
Batu Pahat	RM240,000	RM385,000	NA
Melaka	RM250,000	RM400,000	RM250
Kuantan	RM270,000	RM460,000	RM220
K Terengganu	RM300,000	RM350,000	RM250
Kota Bahru	RM280,000	RM350,000	RM250
Kota Kinabalu	RM425,000	RM750,000	RM400
Kuching	RM400,000	RM700,000	RM380

Terraced for purposes of the above comparison are sampled as 2-storey houses, on 22X70 feet plots, with freehold tenure and about 10km or less from the city centre (houses in smaller town may be less than 10km from city centre). Semi-detached housed are on 40X80 feet plots, all other criteria remain the same.
Condominiums for purposes of the above comparison are sampled as 1,500 – 2,000 sq ft units with the minimum services of lifts, car parks, swimming pool and 24-hour security, with freehold tenure and about 10 kilometres or less from the city centre.
Prices / values as tabulated above are only for purposes of providing benchmarks for comparing property prices found in the cities and towns ***where WTW practice.*** *Prices / values as tabulated above were not based on any specific property or location and as such cannot be applied to any individual property.*

Indicative Average Capitalization Rates of Selected Investment Properties 2011

Location	3-5 star Hotels	Condominiums	Detached Houses	Shop-office	Industrial
Kuala Lumpur	7.5%	5.0%	3.0%	6.0%	6.5%
Seremban	9.0%	5.0%	NA	5.5%	NA
Penang	7.5%	4.5%	1.5%	5.0%	7.5%
Butterworth	7.0%	7.0%	3.0%	6.0%	6.5%
Alor Star	7.5%	5.0%	3.0%	5.5%	6.0%
Ipoh	7.5%	5.0%	2.5%	5.0%	5.5%
Johor Bahru	NA	7.0%	3.3%	5.0%	8.0%
Batu Pahat	7.5%	5.0%	NA	5.0%	NA
K Terengganu	NA	6.0%	5.0%	7.5%	6.0%
Kota Kinabalu	8.0%	5.0%	NA	5.0%	NA
Keningau	NA	NA	4.1%	6.8%	5.1%
Kuching	8.0%	5.0%	3.0%	5.0%	5.5%
Miri	7.0%	7.0%	6.0%	5.0%	6.0%
Bintulu	8.0%	7.0%	7.0%	5.0%	5.9%

Yields as tabulated above represent current capitalization rates after provision of all expenses and outgoings in the light of our valuation and consultancy practice and are not based on actual property transactions.

Klang Valley

Just over 1 year ago, the Economic Transformation Programme (ETP) was launched to enable the country to make the quantum leap from an emerging economy to join the ranks of developed countries. The need for a New Economic Model and a change in attitudes and the way we do business was acknowledged for the ETP to succeed. The Rakyat had high hopes that this time, the Malaysian Government would take the high road choosing higher transparency and win-win options for the greatest good.

The MRT Project, instead of taking off with the élan of a grandé design, became bogged down in a public relations nightmare as the Malaysian Government chose to issue an intention to acquire properties in prime locations at short notice and without adequate disclosure of information. However, a new management team at MRT Corp has moved swiftly to solve the property dispute by offering a new proposal to acquire the underground development rights as provided by Section 92A of the National Land Code instead of the outright acquisitions of all the prime properties. Existing land owners will keep possession of their properties while the Government will cut the MRT project cost by billions of ringgit. During the underground construction period, land owners will be compensated for the estimated loss of income arising from the vacated premises.

The value of transactions for our property sector has seen an impressive turnaround after the economic downturn in 2008/2009. The government through the Greater Kuala Lumpur Plan has planned to revitalize the city by developing key strategic locations such as the Sungai Besi military airport, Pudu Jail site, Kuala Lumpur International Financial District (KLIFD), KL Metropolis (Matrade) and the Rubber Research Institute (RRI) land in Sungai Buloh.

Apart from the government projects, Bank Negara Malaysia (BNM) has kept its Overnight Policy Rate (OPR) low at 3%, which translated into a relatively low Base Lending Rate, making borrowing costs attractive. Lower financing costs transform into higher purchasing power and stimulate the purchase of properties as well as encourage consumer spending.

In line with the introduction of the Greater KL Plan, WTW has defined the Klang Valley into three main zones for reporting and analysis purposes as follows:

1. Central KL (the city centre) or CKL
2. Metro KL (areas of KL other than KL City Centre and the satellite urban centres around KL) or MKL and,
3. Greater KL (the remainder of the Klang Valley) or GKL

OFFICE SECTOR

Supply

The Klang Valley Office Market began 2011 with a concern that the incoming supply was increasing faster than market demand, leading to a decline in occupancy rates and office rental rates. In actual case, the market remained steady during the first half of 2011 due to the postponement in completing many projects or delays in the issue of Certificates of Completion and Compliance.

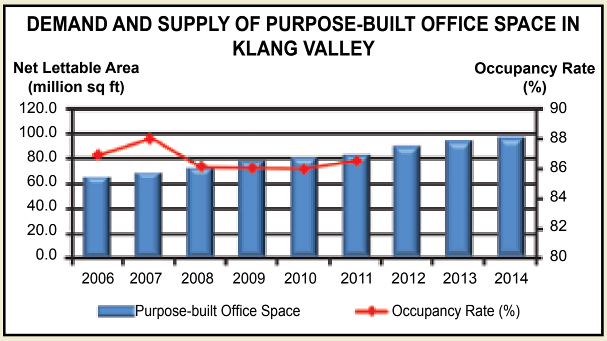
The cumulative supply of purpose-built office space as at end of 2011 in Klang Valley was reported at 87.6 million sq ft, an overall increase of approximately 9.7% compared to 2010.

Twenty nine (29) new office buildings in the Klang Valley were completed in 2011, contributing about 7.7 million sq ft to existing supply. From the total, eleven (11) buildings obtained the "Green" certification and fourteen (14) will qualify as MSC status buildings. This is in line with global market trends where prospective tenants are choosing intelligent office buildings which are energy efficient and provide high-speed internet access. With the keen competition expected in future years, the latter buildings will be better positioned to attract and retain tenancies of global as well as domestic companies.

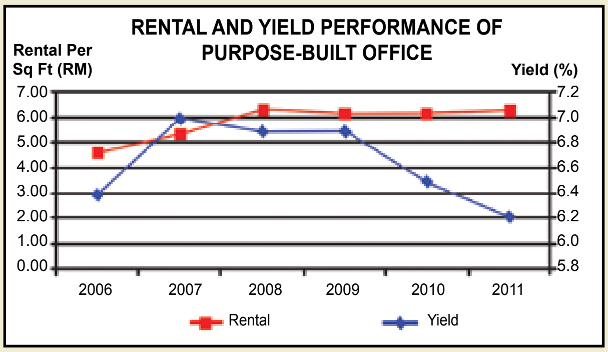
Klang Valley

In the future, there is approximately 13.5 million sq ft of new office space due for completion from 2012 to 2013 of which about 8.6 million sq ft are expected to be completed in 2012. Of this total future supply in 2012, about 25.3% of the buildings are located in CKL.

Despite the concern of excessive future office supply, there are mega planned developments which have yet to be finalised with the issuance of Development Orders (DO), i.e. Aurora Tower (Wisma Angkasaraya), KL Metropolis (MATRADE Centre), Kuala Lumpur International Financial District (KLIFD) and Bandar Malaysia (BM), and these could trigger declining occupancy rates in existing office buildings in Kuala Lumpur.



Source : WTW Research, 2011



Source : WTW Research, 2011

Demand and Pricing

Average occupancy rates in Klang Valley were maintained between 86% and 88% annually for the last five (5) years. In 2011, the average occupancy rate for office sector showed a 0.7% improvement as compared to 2010. Meanwhile, the CKL office market remained stable with occupancy rates gradually recovering since the global crisis in 2008 and currently resulted by the new completions.

Average prime rentals in CKL recorded from RM6 psf to RM9.50 psf at the end of 2011.

Several major transactions especially office buildings took place during the year such as Dua Sentral, Wisma Goldhill, Putra Place and Menara Multi-Purpose. The Malaysian Chinese Association (MCA) closed the deal with Multi-Purpose Holdings Bhd (MPHB) on Menara Multi Purpose together with 414 car park bays for RM375 million. A total of about RM500 million worth of transactions were recorded in 2011 in the office sector.

Market Outlook

With 8 million sq ft of new office space expected to enter market supply in 2012, there will be a very competitive office leasing environment. Older office buildings will face pressures from declining occupancies as tenants seek newer better quality offices.

However, the take-up rate for new purpose-built office space in CKL is expected to remain strong as there is still short supply of Grade A office space comparable to international standards in Hong Kong, Singapore, London, New York, etc. Many new multinational companies are also expected to open offices in Kuala Lumpur as projects under the Economic Transformation Programme gather pace. There are also existing office buildings in CKL being refurbished / expanded/ demolished for redevelopment, such as Menara Tun Razak, Kompleks Antarabangsa, etc. which will re-distribute office space demand to new and existing office buildings.

We expect office rents to remain stagnant or decline for older buildings but asking rentals for newly completed buildings with green certification and MSC status will be substantially higher than existing rental levels. Buildings with a high percentage of owner occupation, will be able to better withstand the ravages of the expected strong market competition

Klang Valley

RETAIL SECTOR

Supply

In general, the retail sector in Klang Valley has remained stable throughout the whole 2011 with strong domestic demand. Total retail sales is projected to reach RM180 billion in 2011 of which about 10% (RM17.5 billion) will be contributed by tourist spending on shopping in Malaysia. The festive seasons falling earlier in the year also contributed to the high sales growth rate. The second half of 2011 continued to maintain high retail sales with the Hari Raya cum Merdeka Celebration, Mega Sales Carnival and bonuses to civil servants by the public sector.

New Retail Centres	Location	Zone
Lot C, KLCC	Jalan Ampang	CKL
Intermark Mall*	Jalan Tun Razak	CKL
One Mont' Kiara	Mont' Kiara	MKL
Viva Home*	Jalan Loke Yew	MKL
Festival City Mall	Setapak	MKL
1 Shamelin Shopping Mall	Taman Shamelin, Cheras	MKL
Citta Mall	Subang Saujana	GKL
Space U8 Eco-Mall	Bukit Jelutong	GKL

Notes : CKL – Central Kuala Lumpur
: MKL – Metro KL
: GKL - Greater KL
*: * - Mall undergone refurbishment*
Source : WTW Research, 2011

Eight (8) retail centres were completed during the review period of 2011 and contributed approximately 3 million sq ft giving a total cumulative supply of 4.3 million sq ft. Among the new supply, two (2) retail centres i.e. Intermark Mall and Viva Home were refurbishments of the retail centres formerly known as City Square and Plaza UE3 respectively. CapSquare was also re-branded as the Pikom IT Mall, attracting a slew of new tenants and aiming to infuse an inflow of high volume shopper traffic.

We expect to see this trend which began in 2009, gain more momentum as more older malls are being re-furbished and re-branded such as the Mall at Putra Place and Phoenix Plaza in Cheras.

Another six (6) new developments are expected to be completed by end of 2012 and will add approximately 2.1 million sq ft of retail space taking the total cumulative supply to about 45 million sq ft by end 2012.

Name of Building	Zone	Net Lettable Area (sq ft)	Expected Completion
Giant Hypermarket, Jalan Kebun	GKL	106,844	Mar 12
Setia City Mall	GKL	740,000	Jun 12
Paradigm Mall	MKL	700,000	Dec 12
Nu Sentral (Lot G, KL Sentral)	MKL	342,000	Dec 12
8trium@Sri Damansara	GKL	100,000	Dec 12
AEON Bandar Sri Permaisuri	MKL	150,000	Dec 12
Total Expected Space (2012)		**2,138,844**	

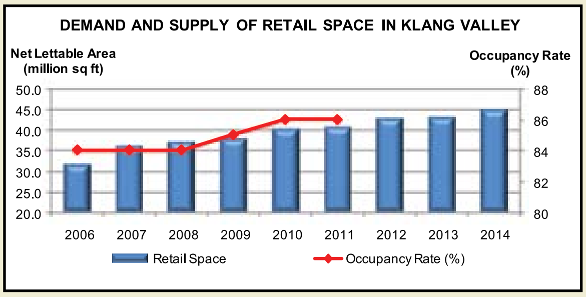
Source : WTW Research, 2011

Viva Home

KLANG VALLEY

Klang Valley

Demand and Pricing



Source : WTW Research, 2011

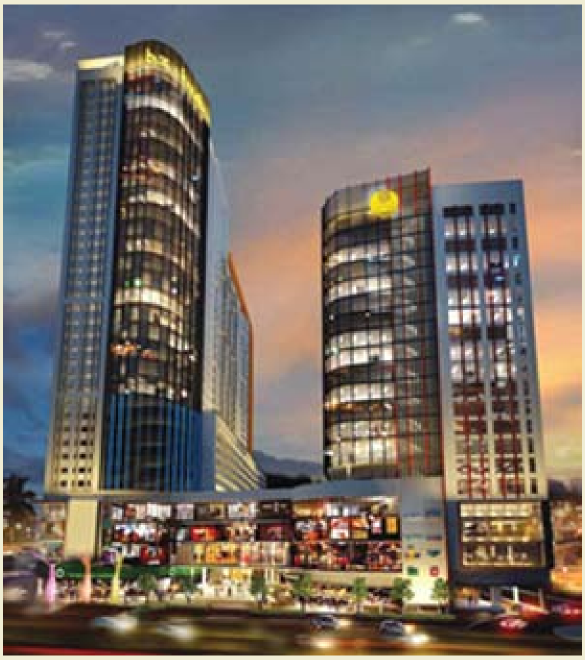
The Klang Valley retail sector has achieved an average occupancy of 85% for the past five (5) years. The occupancy rate for the newly completed retail centres was between 20% and 60% as many retail lots were still undergoing various stages of renovation. Setia City Mall reported that it was on target to be 100% occupied upon opening in 2012.

On average, retail monthly rentals for ground level space in prime areas in CKL ranged from RM40 to RM 55 psf for spaces between 800 sq ft and 1,200 sq ft. However, ground level monthly rental in MKL and GKL was lower between RM12 and RM32 psf.

The retail transactions market in 2011 were fairly active with several acquisitions and these included:

1. The Mall at Putra Place Kuala Lumpur acquired by Sunway Real Estate Investment Trust for RM224 million
2. One Mont' Kiara acquired by Cheung Kong Group for RM330 million and,
3. Klang Parade acquired by Ara Asia Dragon Fund (together with Seremban Parade and Ipoh Parade for a total of RM450 million).

Besides the above acquisitions, Pavilion REIT was listed in December 2011. Currently, it is made up of two (2) assets in its property portfolio – Pavilion Mall and Pavilion Tower with a value of RM3.5 billion.



1 Mont Kiara

Market Outlook

With the large amount of existing retail space, the retail market is expected to grow at a slower pace in terms of take-up space. This may be partly contributed by the lower discretionary income of consumers as government fuel subsidies are gradually reduced. On the other hand, tourism arrivals and spending on shopping expenditure are continuing to rise and more international retail brands are entering the retail scene, which will attract stronger shopper spending.

More shopping malls are being developed away from KL City Centre e.g. Setia City Mall, Paradigm Mall, 8trium@Sri Damansara, and these will stimulate increased shopper traffic in these locations and create new captive catchment markets which are not directly in competition with the existing and planned urban megamalls.

The continued government support has also given a positive outlook for the retail sector. The retail sector continues to be resilient and vibrant with high occupancy rates in all the popular and established retail malls whilst rental rates are expected to remain challenging especially in outer KL and suburban area where most future supply are concentrated.

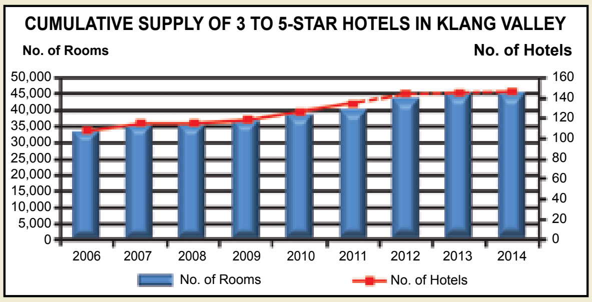
Klang Valley

HOTEL SECTOR

Tourism is the second largest sector in the country after manufacturing. Hotel development has turned around in line with the gradual global economic recovery since 2009. A total of 25 million tourists arrived in Malaysia and spent RM60 billion in 2011 compared with 24.6 million tourists spent RM56.5 billion in 2010. Singapore, Indonesia and Thailand are important sources of visitors for the country. This further growth has given the Klang Valley impetus to open itself to new growth markets, to expand the number of low-cost carriers using Kuala Lumpur as a travel hub and to encourage major hotel operators to create new resorts in key locations.

Supply

The existing supply for 3 to 5-star hotels in Klang Valley stood at 134 hotels or 40,932 rooms in 2011. Of this total supply, 3,647 rooms were from 19 serviced apartments and the balance of 37,285 rooms were from 115 hotels. Nikko Hotels International's management contract of the Nikko Hotel at Jalan Ampang expired in February. It was replaced by the InterContinental Hotels Group (IHG) with the hotel branding correspondingly changed.



Source : WTW Research, 2011

Only two (2) hotels were completed in 2011 adding 866 rooms to existing supply.

New Hotels	Location	Zone	No of Rooms
Furama KL Hotel	Jalan Pudu	CKL	388
Swiss Garden Residences	Jalan Galloway	CKL	478

Note: CKL – Central Kuala Lumpur
Source: WTW Research, 2011

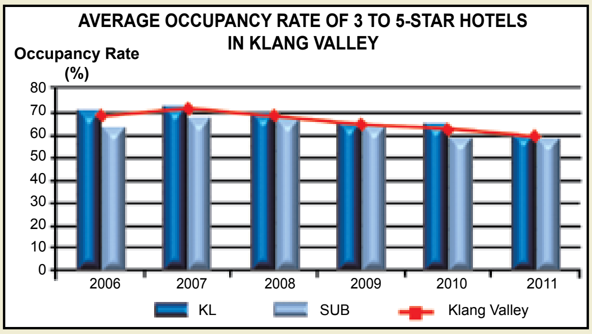
Another twelve (12) hotels with a total of 4,767 rooms are expected to be completed in Klang Valley by end of 2016.

Swiss Garden Residences

Demand and Pricing

From 2006 to 2010, the occupancy rates for 3 to 5-star hotels in Klang Valley ranged between 60% and 72%. On a year-on-year basis, the overall occupancy rate in Klang Valley declined marginally to 60% in 2011.

Nevertheless, 4-star hotels have been outperforming other hotel types for the past 6 years, achieving occupancy rates of 71% in 2011 as compared to 3 and 5-star hotels including serviced apartments, which achieved an average occupancy rate of 55%.

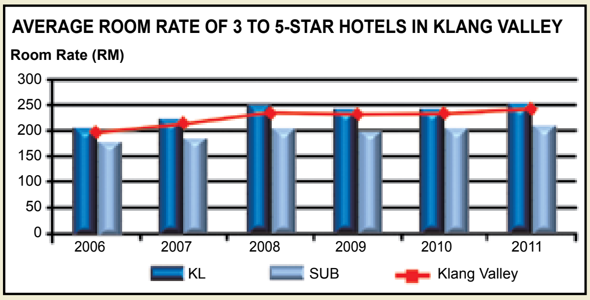


Source : WTW Research, 2011

The overall average room rate (ARR) in the Klang Valley improved marginally as at end of 2011. 3-star hotels remained stable at RM126 while other hotel types recorded an increase of between 4% and 6%. On a year-on-year basis, 4-star hotels have achieved an increment of 4% from RM208 to RM217 per night in 2011. On the other hand, 5-star hotels as well as serviced apartments recorded a 4% and 6% increment from RM305 to RM323 and RM295 to RM311 respectively in 2011.

Klang Valley

There was only one major hotel transaction in 2011. In April 2011, Sunway Real Estate Investment Trust (SunREIT) acquired the Legend Hotel and Serviced Apartments as part of its acquisition of Putra Place, Kuala Lumpur. The hotel portion was valued at RM218 million out of the total property value of RM523 million.



Source : WTW Research, 2011

Market Outlook

The Tourism Industry in Malaysia will continue to grow rapidly in the coming years supported by the sustained promotional activities by the Government to promote the country as an alternative international venue for tourism and business activities and the growing reputation of the country as a shopping hub. This positive outlook has attracted the interest of international hotel chains such as Hyatt Hotels Corporation, Starwood Hotels and Resorts, Banyan Tree and Accor Group to increase their presence in Kuala Lumpur.

Despite growing demand for hotel rooms, the number of new hotels entering the market over the next 3 - 5 years will continue to hold back average room rates at current levels and average occupancy rates will remain flat at the 60% to 70% range.

CONDOMINIUM SECTOR

The demand for luxury condominium properties in Klang Valley has continued to increase. The influential force that is creating demand for properties in Klang Valley is the ETP initiated by the government to transform Malaysia into a high income economy by the year 2020. Encouraged by the Government through liberalization and tax incentives, more foreign companies are expected to invest in the country and consequently, increase the entry of more expatriates and demand for up-market residences. This will create demand for condominium properties especially in the up-market sector.

With these expectations, several developers have introduced newer designs and innovative concepts in their latest projects such as M City in Jalan Ampang, a garden city living theme whereby there will be garden decks, sky club, sky gymnasium as well as green features and green mark buildings such as Ken Bangsar, Sunway Palazzio and 11 Mont' Kiara.

The Banyan Tree Signatures Pavilion Kuala Lumpur project was announced in November which will be managed by Banyan Tree, a respected global hotel brand of premium resorts, hotels and spas. With units at average prices of RM2,000 psf, a sales rate of 80% since the sales preview period was reported by the developer.

Supply

As at end of 2011, there were 22,877 luxury condominium and serviced residence units in the Klang Valley. Of this amount, 9,075 units were in the CKL while the balance of 13,802 units were in Damansara Heights (1,074 units), Bangsar (2,756 units), Mont' Kiara/Sri Hartamas (8,233 units), Kenny Hills (445 units), and Ampang Hilir/U-Thant (1,294 units). A total of 18 developments with 3,948 units were completed in 2011. Over 50% of the new developments completed in 2011 are located in Mont' Kiara/Sri Hartamas.

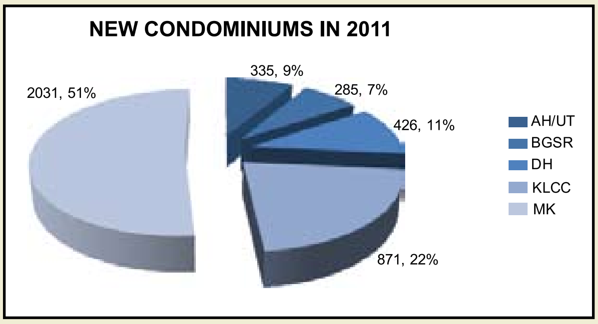
The Troika

Klang Valley

The distributions of newly completed developments and the distribution by area are as follows:

New Development	Location	Zone	No of Units
Hampshire Place	Jalan Tun Razak	CKL	186
Panorama	Persiaran Hampshire	CKL	223
Residency Kia Peng (12 Kia Peng)	Jalan Ampang	CKL	54
The Pearl @ KLCC	Jalan Stonor	CKL	179
The Troika	Jalan Binjai	CKL	229
Brunsfield Embassy View	Jalan Ampang	MKL	283
Gallery @ U - Thant	Jalan Madge	MKL	52
Gaya Bangsar	Jalan Maarof	MKL	285
Clearwater Residence	Changkat Semantan	MKL	108
Twins @ Damansara Heights	Jalan Johar	MKL	318
11 Mont' Kiara	Jalan Kiara 1	MKL	338
Kiara 3	Jalan Kiara 3	MKL	160
Kiara 9	Jalan Kiara 3	MKL	192
Lumina Kiara	Jalan Duta Kiara	MKL	104
Seni Mont' Kiara (Block 1)	Changkat Duta Kiara	MKL	234
Palazzio	Jalan Sri Hartamas 3	MKL	180
Sunway Vivaldi	Jalan 19/70A	MKL	228
Damas Serviced Suites	Jalan Sri Hartamas 1	MKL	595

Note : CKL – Central Kuala Lumpur, MKL - Metro KL
Source : WTW Research, 2011

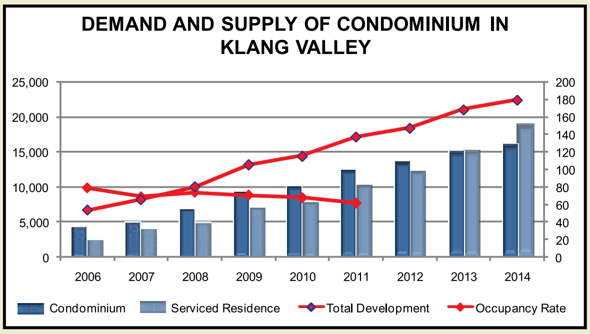


Source : WTW Research, 2011

New supply of non-landed developments totaling approximately 13,716 units from 47 developments are currently under construction, of which about 2,900 units may be completed by end of 2012.

Demand and Pricing

The average occupancy rate for the condominium market remained stable at approximately 68%. Occupancy for condominium had declined from 70.3% in 2010 to 69.5% during the review period, whilst serviced residences recorded a slight improvement of 67.1% from 66.8% in 2010. In addition, latest launches comprised smaller and more affordable unit sizes of 500 sq ft to 1,000 sq ft with selling prices ranging from RM850 psf to RM2,000 psf in KLCC area, RM700 psf to RM1,200 psf in Mont' Kiara/Sri Hartamas and Kenny Hills areas.



Source : WTW Research, 2011

Generally, the average monthly rental levels of both condominiums and serviced residences ranged from RM5.00 to RM6.00 psf of built-up area in CKL while in Mont' Kiara/Sri Hartamas, Damansara Heights, Kenny Hills and Bangsar area, monthly rents ranged from RM4.00 psf to RM5.50 psf.

Market Outlook

Luxury condominium developments will face a threat from the large incoming supply in the future. Developers are also marketing actively to foreign investors as the prices for luxury condominiums in Kuala Lumpur are still considered relatively cheap as compared to other countries such as Hong Kong and Singapore. In addition, the pro-active measures from the government, efforts to promote the Malaysia My Second Home (MM2H) as well as the lifting of Foreign Investment Committee's approval in purchasing the properties by foreigners will boost the luxury condominium sector.

Occupancy rates and condominium rentals will be on a downtrend as new units enter the rental market at a faster rate than the slower projected demand from working expatriate professionals entering Malaysia. Buyers are still actively looking for condominium properties for investments in the KLCC and Mont' Kiara areas but there are now more leeway for negotiation of prices.

Klang Valley

LANDED RESIDENTIAL SECTOR

In 4 July 2011, Dato' Seri Najib Tun Razak had launched PR1MA, a home ownership programme, aimed at assisting low and medium income and young age groups to purchase their first property at affordable prices. Reputable names such as Putrajaya Holdings, SP Setia, Sime Darby Berhad, MRCB and 1MDB are among the developers who are involved in this mega program. PR1MA from 2011 - 2018 is expected to offer around 42,078 units on 825.1 acres spread over Sungai Besi, Cheras, Putrajaya, Cyberjaya, Subang Jaya, Petaling Jaya, Shah Alam, Sungai Buloh, Seremban and Rawang.

The Landed Residential sector for 2011 showed strong movement on the supply side while demand was correspondingly positive, with most new launches reporting relatively high sales rates ranging from 60% to 70%.

Given the supportive Government policies as well as the favourable and monetary policies, in general, the Klang Valley property market maintained its resilience.

In past years, major developers had been focusing on the high-end segment where profit margins were higher and driven by the strong demand from the expatriate community and middle-income households home upgrades. As this market niche becomes saturated, greater interest and attention has been shifted to the mid-range affordable housing segment.

Areas such as Shah Alam, PJ South and Cyberjaya have become hotspots for property developers and buyers due to the scarcity of land in Kuala Lumpur and well as the LRT / MRT projects which will significantly improve accessibility to KL entre.

In 2011, 66 projects comprising about 5,400 terraced, semi-detached and detached houses were launched for sale. The largest number of new housing were located in Shah Alam, Puchong, Cyberjaya and Kajang. The distribution of these projects is summarized below:

Distribution of New Launches by area

Area	No. of Dev	No. of units	Percent
Bangi	2	180	3.3%
Cheras	4	221	4.1%
Cyberjaya	4	659	12.2%
Damansara	1	30	0.6%
Kajang	9	577	10.7%
Kuala Lumpur	6	336	6.2%
Klang	4	431	8.0%
Petaling Jaya	1	20	0.4%
Nilai	2	122	2.3%
Puchong	5	763	14.1%
Putrajaya	3	91	1.7%
Selayang	2	80	1.5%
Rawang	1	171	3.2%
Sepang	1	34	0.6%
Seri Kembangan	1	42	0.8%
Sg. Buloh	2	395	7.3%
Subang Jaya	5	283	5.2%
Shah Alam	13	980	18.1%
Total Projects	**66**	**5,415**	**100.0%**

Source : WTW Research, 2011

Demand and Pricing

Overall, the performance of landed residential market in KV has remained stable as compared to 2010. The average sales rate of new housing projects within the first three months was about 40%. For individual projects, sales rates showed a wide range from 10% to 75%.

Meanwhile, the House Price Index (HPI) was reported at 11.4% for Kuala Lumpur and 9.6% for Selangor, slightly lower than end-2010. This reflected the continuing overhang of lower middle income houses. However, prices of up-market houses including gated communities have continued to increase steadily.

Seri Pilmoor, Ara Damansara

Market Outlook

The landed residential market continued to perform well in 2011. Hence, the sales rate for new housing developments is expected to be sustained in 2012. The prevailing low interest rate, relatively low unemployment rate, attractive financing packages are the reasons for sustaining the growth of the sector.

The implementation of the 70% loan-to-value (LTV) mortgage cap by Bank Negara and the re-activation of RPGT may dampen the market and moderate speculative activity in the landed residential property market as well as the condominium sector.

Klang Valley

INDUSTRIAL SECTOR

In the industrial sector, there was growing demand for industrial space from small and medium enterprise (SMEs) in 2011. The automotive, oil and gas, electrical and logistics industries have been the main drivers for most of the demand for space in the industrial sector.

Supply

In 2011, the total supply of terraced, semi-detached and detached industrial properties in Klang Valley was 38,794 units. Out of this supply, 34,570 units are current stock, 2,689 units are incoming supply and 1,535 units are planned supply. In terms of area, there are 5,348 units located in Kuala Lumpur while the balance of 33,446 units are located elsewhere in the Klang Valley.

In 2011, twelve (12) projects of detached and semi-detached factories were launched and the details are as follows.

Demand and Pricing

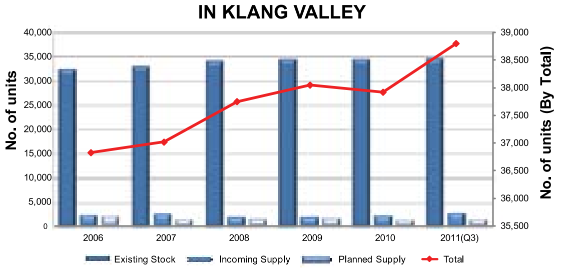
The asking monthly rentals for detached factories in Klang Valley ranged between RM1.10 and RM3.00 psf. However, rentals for other detached industrial/ commercial premises such as showrooms are higher at RM2.50 psf per month.

In 2011, one major transaction was by Freight Management (M) Sdn Bhd who purchased an industrial premise from AXIS REIT in Kawasan Perindustrian Bandar Sultan Sulaiman, Pelabuhan Klang for RM14.50 million (RM97 psf of BUA) in January. In addition, Sunchirin Industries (M) Sdn Bhd entered into agreement with Polymatech Sdn Bhd to acquire a freehold land with a single storey detached factory and an annexed double-storey office in HICOM Industrial Area, Shah Alam for RM14.34 million in June.

Project Name	Location	Developer	No of Units
Latitude @ USJ 19	UEP Subang Jaya	Kensington Vision Sdn Bhd	15
Nouvelle Kemuning	Bukit Rimau, Shah Alam	Gainvest Exsim Development Sdn Bhd	18
Nouvelle Kota Damansara	Kota Damansara	Nouvelle Lot 4 Sdn Bhd	21
Tiong Nam Industrial Park	Section 51, Petaling Jaya	Tiong Nam Properties Sdn Bhd	19
Twin Park USJ	USJ 19, Subang Jaya	Syarikat Pengkalan Binaan Sdn Bhd	8
Amari Business Park	Batu Caves	Tan & Sons Development Sdn Bhd	38
Lake 6 Entrepreneur's Park	Taman Meranti Jaya, Puchong	Mitraland Puchong Sdn Bhd	70
ML-16	Seri Kembangan	Minlon Land Sdn Bhd	16
Tiong Nam Industrial Park 2	Section 15, Shah Alam	Tiong Nam Properties Sdn Bhd	50
West Meru Industrial Park	Meru, Klang	Kemas Properties Sdn Bhd	6
Subang Hi-Tech 2	Subang Jaya	DSEnergy Development Sdn Bhd	20
Megah 18 – Phase 2	Bukit Jelutong, Shah Alam	Mega Real Development Sdn Bhd	17

Source : WTW Research, 2011

CUMMULATIVE SUPPLY OF INDUSTRIAL PROPERTIES IN KLANG VALLEY



Source : WTW Research, 2011

Market Outlook

In the coming year, prospects for the industrial sector in the Klang Valley is expected to remain bright as the demand will continue to exceed existing supply. Quality industrial premises sited in prime locations are expected to command firm rentals with demand driven largely by logistics/warehousing facilities providers.

Third party logistic providers will be the main players in the sector where many participants especially from Thailand and Japan may be considering relocation of their logistics warehouses due to the occurrence of the natural disasters in 2011.

Klang Valley

Conclusion

The Klang Valley property market remained attractive and attracted a steady flow of investments and purchases by property owners / investors, both local and foreign in 2011.

The market remains optimistic for 2012 as long as the macro-economic conditions in Malaysia remain favourable with the continued implementation of the Government Transformation Programme (GTP), Economic Transformation Programme (ETP) and Greater KL Plan.

For the longer term, several measures have been introduced to curb soaring property prices, for example, the government reviewed the real property gains tax (RPGT) during the Budget 2012 by increasing the rate for properties disposed within two (2) years of purchase from 5% to 10%. As a result, the market has cooled down slightly which will encourage gradual growth in the coming years instead of a “boom and bust” cycle.

Seremban

Seremban is not included in the Federal Government’s plans for Greater Kuala Lumpur, even though it is much nearer and more accessible than Klang or Rawang. However, plans have been announced to upgrade the KL-Seremban KTM Rail Service. Seremban has developed into a small self-contained city with its own economic activities to drive the market.

Many commercial centres have sprouted up in various parts of Seremban eg Era Walk, Seremban 2, etc. Some have succeeded (over 50% occupancy) while others are struggling (less than 25% occupancy) although all shopoffices have been sold.

There are few purpose-built offices and the landmark building is still MAA which is at least 90% occupied. Prudential Assurance occupies a renovated shopoffice block in Era Walk at a reported rent of RM2.50 psf.

Tesco Extra had opened in November 2010 and is doing well with specialty shops clustered around the supermarket rented at RM15 psf. Tesco has another outlet which was open in March 2011. Mydin will be opening its hypermarket at Era Terminal 2 in early 2012.

The abandoned project at Taman Bukit Kepayang was recently sold at an auction and there are signs that the new owner has commenced construction works.

The two 4/5 star hotels in Seremban continues to be represented by Royale Bintang and the Allson Hotels. Budget hotels are doing well and the next hotel to enter the market will be the Kingdom Hotel at Era Walk.

Seri Carcosa in Seremban 2 remains the most up-market residential address in Seremban. S2 Heights is IJM’s lastest project to be launched in Seremban 2. Semi-detached houses are priced from RM400,000 upwards and demand is strong. Buyers prefer the newer houses even though detached houses at Rasah Kepayang are also available for RM400,000.

KLANG VALLEY

Klang Valley

SIGNIFICANT TRANSACTIONS IN 2011

Existing Building

Name	Description	Vendor	Purchaser	Date of Purchase	Price per sq ft	Sale Price
Kuala Lumpur						
Wisma Goldhill	Office	Crestbeam Sdn Bhd	Klang Valley Project Sdn Bhd	Q1 2011	RM630	RM 170,157,000
Dua Sentral Office Tower (Proposed)	Office	AmanahRaya	TNB	Q1 2011	RM540	RM 232,200,000
One South, Sungai Besi	Commercial Development	Hua Yang Bhd	South Crest Synergy Sdn Bhd	Q1 2011	ND	RM 105,000,000
Putra Place	Integrated Development	Metroplex Holdings Bhd	Sunway REIT	Q1 2011	ND	RM 513,950,000
Amcorp Mall, PJ Tower, Amcorp Tower and Menara Melawangi	Integrated Commercial Development	Melawangi Sdn Bhd	Living Development Sdn Bhd	Q2 2011	ND	RM 75,000,000
Menara Taiko (PJ Trade Centre)	Office	Triglows Industries Sdn Bhd / Taiko Treasure Sdn Bhd	Gamuda	Q2 2011	RM595	RM100,603,000
The Horizon - Block 6 (Bangsar South	Office	Bangga Istimewa Sdn Bhd	N2N Connect Berhad	Q2 2011	RM781	RM36,000,000
Prima 9 & 10, Cyberjaya	Office	Complete Event Sdn Bhd	AMFirst REIT	Q2 2011	RM628	RM 133,000,000
Menara Multi-Purpose	Office	Multi-Purpose Holdings Bhd	Malaysian Chinese Association (MCA)	Q3 2011	RM693	RM 372,000,000
DEMC Specialist Hospital	Private Hospital	DEMC Management Sdn Bhd	Pelaburan Hartanah Berhad	Q3 2011	ND	RM 87,000,000
Pavilion Tower	Office	Urusharta Cemerlang Sdn Bhd	Pavilion REIT	Q4 2011	RM763	RM 128,000,000
Seremban						
Former Tesco Extra	Retail Complex	Tesco Stores (M) Sdn Bhd	Rapid Mall Sdn Bhd	Q1 2011	ND	RM25.1 million
Seremban Parade	Retail Complex	TMW Asia Property Fund	Ara Asia Dragon Fund	Q3 2011	RM220	RM450 million for 3 complexes in S'ban, Ipoh & Klang

Note : ND : No Data

Development Land

Name	Description	Vendor	Purchaser	Date of Purchase	Price per sq ft	Sale Price
Kuala Lumpur						
Setia Eco Glades	High end gated & guarded residential township	Setia Haruman	SP Setia	Q1 2011	RM36	RM420,439,377
Cyberjaya	High end residential	Setia Haruman & Wawasan Rajawali	OSK Properties	Q1 2011	RM125	RM86,542,830
Subang Hi-tech	Mixed Development	Chunghwa Picture Tubes (M) SDN BHD	Dijaya Corp	Q2 2011	RM100	RM385,460,600
Tropicana Kajang	Mixed Development	Taiyo Resort (KL) Sd Bhd	Tropicana City Service Suites Sdn Bhd	Q3 2011	RM26	RM228,000,000
Ulu Langat Land	Township project	Ban Guan Hin Realty Sdn Bhd	SP Setia	Q3 2011	RM75	RM330,130,350
Lot 122410, Pekan Hicom	freehold vacant ind. land	Integrated Logistics Bhd	Tanjung Balai Holdings Sdn Bhd	Q3 2011	RM72	RM18,240,408

Johor Bahru

Iskandar Malaysia (IM) has become irretrievably entwined into the fabric of the Johor Bahru Property Market: the planning of any project cannot ignore the possible impact of existing and future developments in Iskandar Malaysia; growth of IM will drive the growth of Johor Bahru. The success of IM in turn depends on massive investment flows from Singapore. The large numbers of Singapore residential property buyers has been a major factor in the uptrend in the market. Friendly and good relations between Johor and Singapore are therefore necessary for Johor's sustained growth.

Khazanah National and Temasek Holdings have formally announced in June 2011 that they have identified two sites for joint developments. The first is the Urban Wellness developments in Medini North and the other is called the Resort Wellness development in Medini Central. The total GDV is estimated at RM3 billion. The proposed developments include a corporate training centre, commercial, retail, residential and wellness-related facilities.

In addition, Iskandar Investment Bhd (IIB) and Zhuoda Real Estate Group, a China based company have in November 2011 entered into a joint-venture agreement to develop mixed residential and commercial projects in Medini of Nusajaya with projects' GDV estimated at RM2.5billion.

It is noted that part on the success of IM depends on massive investment flows from Singapore. The large numbers of Singapore residential property buyers, especially has been a major factor in the uptrend in the market. Friendly and good relations between Johor and Singapore are therefore necessary for Johor's sustained growth.

Infrastructure development in IM continued its rapid pace in 2011 with the near completion of the Iskandar Coastal Highway, making easier travel from Johor Bahru to Nusajaya, the new Johor State Administrative Centre and other developments on the west coast.

To the north, the Senai-Desaru Highway has also been completed reducing travelling time between Johor Bahru and Desaru to 30 - 45 minutes. With the improved access, plans for the development of Desaru into an international tourist destination has been revived with the start-up of several projects including a world class international championship golf course, a 5-star resort hotel and holiday villa homes.

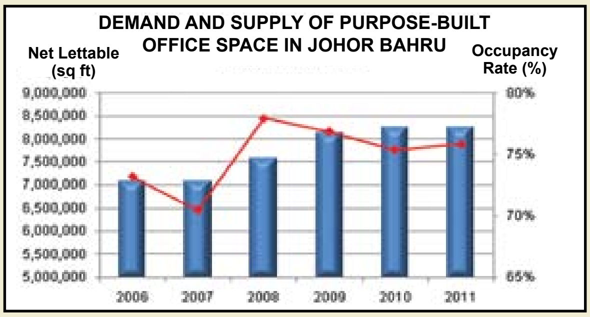
Under the Federal Government's Economic Transformation Programme, plans for an integrated downstream oil and gas complex in Pengerang, Johor was also announced in 2011. Apart from contributing to the GDP of Johor, the project will create at least 20,000 jobs during construction and 4,000 highly skilled job positions that will increase retail spending and demand for new housing.

OFFICE SECTOR

The office market saw little additional demand in 2011. Companies in the financial and business services sectors, which are the main drivers of office space continued to face a lackluster business climate. However, there are stirrings that interest is picking up as ties between the Johor State Government and Singapore Government continued to improve.

Demand for office space increased 61,815 sq ft in 2Q2011, as compared to the 8,242 sq ft contraction in 1Q. Because of the marginal additional demand, we estimate that the occupancy rate improved from 75% to 76%.

The average office rent remained flat at RM2.50 to RM3.00 psf per month for prime office space, while office space in city fringe commands RM1.60psf to RM2.50 psf per month. The rental level is expected to remain steady in 2012, provided that the economic performance remains on course as projected.



Source : WTW Research, 2011

The volume of investment activity remained thin with a handful of strata-titled transactions in 2011, except for a major acquisition of a mixed use commercial building via court auction in August 2011. Daiman Properties Sdn Bhd successfully bid for the unsold portion (100% retail space of 171,097 sq ft, less than 50% office space of 163,339 sq ft and 100% parking space of 290,170 sq ft) of Menara Landmark for a lump sum of RM55 million.

The office market sentiment in 2011 is likely to continue into 2012.

Eastern Dispersal Link (EDL), Johor Bahru

Johor Bahru

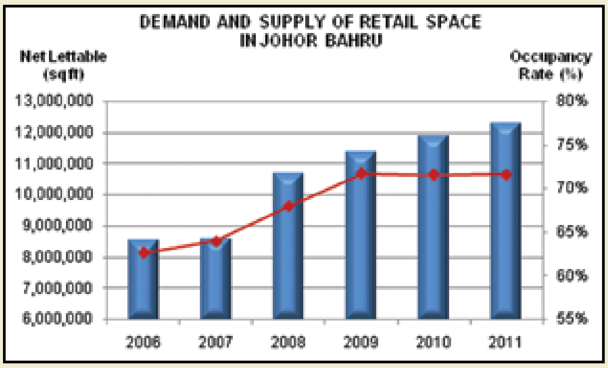
JOHOR

RETAIL SECTOR

As of 2011, the total NLA of retail space stood at 12.30 million sq ft with an overall occupancy rate of 71.5%. Ground floor rental rates at prime retail spaces ranged from RM10 psf to RM40 psf per month. It is foreseeable that the demand for retail space will continue apace while the occupancy rate has been healthy at above 71% since 2009.

We have seen some changes in the retail sector which are as follows:-

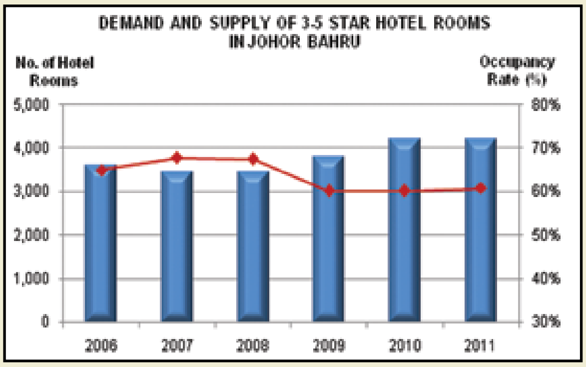
- Kulai Centre Point, a shopping centre with 67 shop lots and a food arcade located at Kulaijaya city centre, opened for business in March 2011. The development had been abandoned since 1997 before the current owner took over for refurbishment in 2009 from court auction.
- KSL City, opened end of last year, has increased the rental rate of its kiosks by approximately 20% since 2Q2011 while the general retail space is of at least 1 year lease term. In addition, its anchor tenant i.e. Tesco occupying some 30,800 sq ft started business in May 2011 at the basement. KSL City has become one of the popular destinations for shopping, entertainment and F&B in JB for both local and Singaporean shoppers.
- Plaza Kotaraya with gross area of 620,000 sq ft, however, had closed for renovation and refurbishment since end of September. The project will take about 8 months to complete.
- Johor Premium Outlet (JPO) which is located in Kulai and a joint venture retail, (factory outlet) development between Genting Plantations Berhad and Simon Premium Outlets of America, was formally opened for business in December 2011. This RM149 million project currently houses approximately 70 direct international designer brand outlets and restaurants in the 300,000 sq ft retail space. The developer expects JPO to attract some 4 million visitors per year and therefore has plan to invest another RM100 million to build 60 shops for second phase, bringing the number of shops to 130.



Source : WTW Research, 2011

HOTEL SECTOR

The existing supply of 3 to 5-star hotel rooms stood at 4,195 rooms comprising 16 hotels. In terms of rating, 1,294 rooms (4 hotels) are contributed by the 5-star hotel category, 800 rooms (2 hotels) are 4-star rated while the bulk of 2,101 rooms (10 hotels) are rated 3-star. We expect the number of hotel rooms to increase significantly when some of the hotel developments under construction will be completed in 2012.



Source : WTW Research, 2011

The average room rate (ARR) of 3 to 5-star hotels in 1H 2011 was RM138 while the average occupancy rate (AOR) of hotels, in general, experienced a downtrend to about 60%.

With Johor Premium Outlet already opened, Legoland and the Indoor Theme Park to be ready for operation by 2012, many new hotel developments are in the pipeline hoping to capture sizeable share of the projected number of visitors (estimated additional 5.4 million annually) to be attracted by these tourist destinations.

Hotel developments in the pipeline:-

Project Name	Star Rating	No. of Rooms	Location	Developer	Completion Date
KSL City Resort Hotel	5	900	Tmn Century	KSL Holdings Bhd	1H2012
Renaissance Hotel	5	300	Bdr Permas Jaya	Good Wood Hotel Sdn Bhd	1H2012
Traders Hotel	5	286	Puteri Harbour	Themed Attractions & Resorts Sdn Bhd	2012
Landmark Hotel*	4 or 5	--	Jalan Trus	Daiman Properties Sdn Bhd	2012
Palazzo Hotel	4 or 5	293	Danga Bay	Lentang Cahaya (M) Sdn Bhd	4Q2014

**Construction of hotel portion of Menara Landmark was ceased during the 1998 financial crisis, but was recently bought by Daiman Properties Sdn Bhd in August 2011 for RM45 million. We believe Daiman will complete the construction and open for business in 2012.*

Johor Bahru

In addition, Tiong Nam Logistics Holdings Bhd's subsidiary, Terminal Perintis Sdn Bhd, has acquired a 3.23 acre commercial land in Puteri Harbour, Nusajaya in June 2011 for a hotel and serviced apartment development. The land cost was RM30.95 million.

Besides new developments, some upgrading works are being carried by existing hotels. The M-Suites, located at Jalan Skudai, has gone through a series of renovations in August 2011 to change its building façade and upgrade some of the suites. At the meantime, Citrus Hotel, a 3-star hotel formerly known as A-Vista Melati, has completed the refurbishment of the hotel building in July 2011 with 125 new rooms and facilities.

Some of the high-end projects launched or opened for registration in 2011:-

Project Name	Developer	No. of Units	Unit Size (sq ft)	Selling Price (RM/psf)
The Sky Gardens	Setia Indah Sdn Bhd	420	898-1,245	338-390
The Skyloft Premium Suites	Bukit Indah SdnBhd	364	830-1,615	360-400
Elita-Staits View	Permas Jaya Sdn Bhd	113	1,756-1,819	>415
Imperia, Puteri Harbour	UEM Land Holdings Bhd	248	813-4,336	500-1,042
Tropez Residences (Tower A)	Dijaya Corp + Iskandar Waterfront Sdn Bhd	428	689-1,668	>580
1Medini	One Medini Sdn Bhd	322	876-1,314	>390
Summerscape	Connoisseur Land Sdn Bhd	70	2,713-5,426	>480

CONDOMINIUM SECTOR

The condominium market saw no increase in supply in 2011 but the incoming supply during this period was recorded at 8,868 units or an additional supply of 31% in the next 1 to 2 years as compared to the existing supply of 28,190 units.

The average transaction value over built-up area in the sub-sale market has increased from RM250 psf in 2010 to RM260 psf in 2011. In recent sales records, Molek Pine Residence, Sri Samudera and Petri Condominiums achieved values of RM310,370 and RM390 psf, respectively.

Since 2010, condominium developments have been one of the more popular products where in general the developers' selling prices have increased from the average range of RM200 psf to RM320 psf to RM250 psf to RM400 psf in 2011. The average sales rate has also improved from 60% to 80%.

In terms of unit size, more developers introduced studio or 1-bedroom units to the market at sizes of 400 to 600 sq ft while bigger units remain in the range of 1,000 to 1,600 sq ft.

LANDED RESIDENTIAL SECTOR

Supply of landed houses in 2Q2011 stood at 252,961 units in total where 2 to 3-storey terraced houses are the main contributors of 44% to total supply. The number of houses is expected to soar in the near future when the total incoming supply recorded in 2011 is close to 20,000 units, approximately 8% of the existing stock.

In new developments, terraced and semi-detached houses remain the top popular products followed by cluster houses.

The average transaction value of 2-storey terraced houses in the sub-sale market in 2011 was RM180 psf over the built-up area or about 10% higher than the value in 2010. In the older housing estate, Taman Pelangi continued to achieve high transaction values averaging RM180 psf while in Permas Jaya and Taman Perling average values ranged from RM140 psf to RM150 psf.

2-storey terraced houses located in new housing schemes, such as Sutera Utama, Setia Tropika, Horizon Hills and East Ledang, recorded property transactions in the range of RM190 psf to RM230 psf in average. *(continued)*

Puteri Harbour, Iskandar Malaysia

Johor Bahru

Gated and guarded security systems and better management have been the main differences in the newer scheme nowadays.

Transaction values for 2-storey semi-detached houses also experienced a rise. Average prices in 2011 ranged from RM200 psf to RM470 psf while it was RM190 to RM360 psf in 2010. Austin Heights achieved a higher transaction value in the sub-sale market at RM470 psf followed by Taman Molek's RM400 psf and Setia Indah's RM340 psf.

For projects launched in 2011, developers' semi-detached houses were priced between RM230 psf and RM500 psf depending on location and design.

To continue its success in Johor Bahru, SP Setia Bhd launched its 5th development project in December 2011 via its subsidiary Setia Indah Sdn Bhd. The new project is known as Setia Eco – Cascadia and encompassing a site of 259 acre which the developer acquired about a year ago for RM169 million.

Some of the landed residential projects launched in 2011:

Project Name	Property Type	No. of Units	Land Size (sq ft)	Built-Up Area (sq ft)	Developers' Selling Price (RM/psf)
Horizon Hills	2 to 3-Storey Detached house	114	80 x 100	5,014-5,719	379-568
East Ledang	2-Storey Pool Villa	36	8,423-12,237	4,656-5,108	558-568
Leisure Farm	2-Storey Semi Detached	96	4,000-6,124	3,653-4,462	336-441
	2-Storey Pool Villa	60	5,374-9,021	4,404-5,845	479-636
Senibong Cove	3-Storey Semi Detached	70	42 x 75	2,500-3,000	>500
	3-Storey Detached house	70	55 x 102	4,000+	>575
Adda Heights	2-Storey Terraced Semi-Detached	104	36 x 80/85	2,882-2,984	>200
Adda Heights	2-Storey Semi Detached	14	36 x 100	3,342	>229
Adda Heights	2-Storey Terraced Bungalow	78	50/53 x 80/85	3,135-3,360	>269
Austin Heights 2	2-3 Storey Cluster	128	34 x 70	2,720-3,933	225-252
Austin Heights 2	2-Storey Semi-Detached	84	40 x 80/90	3,393	>320

Demand for bungalow land in JB has pushed up transaction values year-on-year. Lands in Leisure Farm and Ledang Heights have recorded sales value of RM40 psf to RM45 psf, while it is above RM80 psf for Taman Ponderosa. These are the three most popular housing estates that provide bungalow lands in Johor Bahru.

SHOPOFFICE SECTOR

As of 2011, there were 4,000 2 to 3 ½-storey shop units in the construction pipeline which we expect will increase supply in the next 1 to 2 years. 64% of the incoming supply is 2 to 2 ½-storey shops while the rest is 3 to 3 ½-storey shops.

In 2011, the average transaction value of 2-storey shops was recorded at RM240 psf, which is 13% higher than 2010. Jalan Harimau Tarum has traditionally been the most popular address for 2-storey shops in JB and the average transaction was reported at RM900,000 per unit or RM370 psf in 2011. Shops in Taman Molek and Nusa Bestari were sold at RM615,000 (or RM190 psf) and RM717,800 (or RM240 psf) per unit in average, respectively.

In 2011 prices, for 3-storey shops in the sub-sale market experienced a growth of about 4% as compared to RM220 psf in 2010. Average prices for units located at Taman Pelangi and Johor Jaya were recorded at RM1,050,000 (or RM180 psf) and RM598,000 per unit (or RM235 psf) respectively. Units located at newer locations such as Taman Molek, Austin Height and Sutera Utama, recorded transaction values of RM1,085,000 (or RM200 psf), RM1,150,000 (or RM255 psf), and RM1,3231,667 (or RM270 psf), respectively. In addition, we noted that the average price in Taman Nusa Bestari increased 17% to RM250 psf as compared to 2010.

High sales rates for newly launched projects in 2010 ranged from 70% to 100% and the pattern continued into 2011 for both 2 to 3-storey shops. We expect the sales rate for new developments will continue to do well in the coming year.

2 to 3-storey shops projects that were launched or opened for registration in 2011:-

Project Name	Property Type	Developer	No. of Units	Unit Size (sq ft)	Developers' Selling Price (RM/psf)
The Lake Front @ South Key(1) (2)	3-Storey Shop	Setia Pantai Sdn Bhd	102	3,929-5,005	>250
	4-Storey Shop		24	6,500-6,728	>289
Station Square, Nusantara	3-Storey Shop	Setia Lestari Sdn Bhd	40	3,513-4,310	>173
Fortuna Hub, Bdr Seri Alam	3-Storey Shop	UM Land Bhd	47	5,040	>152
Sri Pulai Perdana 2	2-Storey Shop	Mah Sing Properties Sdn Bhd	57	3,080	>155
	3-Storey Shop		31	4,493	>184
D'Tropik, Bdr Baru Kota Putri	3-Storey Shop (+Basement Parking)	Mega Warison Group	38	5,573	>188
Kempas Town Centre(1) (2)	2-Storey Shop	Damansara Assets Sdn Bhd	99	2,926	>189

* (1)Leaseeasehold (2)Project marketed by WTW

Johor Bahru

INDUSTRIAL SECTOR

According to JPPH, the existing supply of industrial properties in Johor Bahru stood at 10,142 units in 2011, comprising mainly terraced of 59% of terraced, semi-detached and detached factories of 22.53% and 15.55% respectively. Market supply will increase by approximately 4% in 2012/2013.

Some of the industrial projects launched this year:-.

Project Name	Developer	Type of Factory	Land Size (sq ft)	Built-Up Area (sq ft)	Selling Price over Built-Up (RM/psf)
iPark@Nusajaya	AME Group	Semi-detached	19,648	12,785-19,018	230-275
		Detached	37,809	21,281	>275
Kempas Utama Industrial Park	IOI Group	Cluster	8,000-12,000	5,461	>272
		Semi-detached	13,368-15,736	5,461	
Taman Perindustrian Murni Senai	Daiman Development Bhd	Semi-detached	24,639	9,117	>202
Indahpura Industrial Park	Indahpura Jaya Development Sdn Bhd	Detached A&B	23,300	13,950	>215
		Detached C	1-3 acres	25,000	>200
Tiong Nam Industrial Park, Tebrau III	Aspirasi Ternama Sdn Bhd	Cluster	>8,711	>10,574	270-300
		Semi-Detached	>8,711	>11,814	
		Detached	>14,571	>12,232	
Tiong Nam Industrial Park, Kempas	Astinas Construction & Development Sdn Bhd	Cluster	6,491-10,234	7,398	300-330
		Semi-Detached	9,026-15,753	6,392-11,754	

From the above table, the selling prices of cluster factory units launched this year ranged from RM270 psf to RM330 psf over the built-up area or approximately RM1.4 to RM2.2 million per unit. Semi-detached and detached factories were priced at a similar range of RM200 psf to RM330 psf (RM3.6 million to RM5.8 million per unit), depending on land size and built-up area.

Taiwanese electronics titan, Foxconn Technology Group, has chosen Indahpura Industrial Park in Kulaijaya for its second manufacturing factory in Asean after Vietnam. The group intends to produce printer cartridges, and employ 1,000 engineers and technicians in the local plant. The land size for the first phase of its factory is approximately 4 acres.

In addition, Petronas will invest RM50 billion in an integrated downstream oil and gas complex in Pengerang, Johor. The refinery and petrochemical development will be completed by 2015.

Batu Pahat

Batu Pahat continues as a self-contained township with its residential needs mainly satisfied by terraced houses and most commercial activities accommodated in shophouses. The major commercial success story is the Jalan Tan Swee Ho area where 2-storey shophouses which were sold for RM180,000, now command RM550,000 and ground floors can fetch rents of up to RM2,000 per month.

BP was built on the foundation of the textile and furniture industries although the industrial market has stabilized and industrial lands at Puncak Banang are presently transacted at RM14 psf to RM15 psf.

Terraced houses continue to dominate the residential market but established middle income households can afford and are moving up to semi-detached houses which now sell briskly at prices of RM500,000 – RM550,000. With the ready availability of land, condominiums such as Hill Loft Condominium are less popular. Apartments in Batu Pahat sell for RM60,000 - RM70,000 as compared to RM100,000 in Muar.

5 or 6 shopping malls have been constructed but only three have been successful. (Summit 90% occupied, Batu Pahat Mall 60% occupied, and Square One next to Carrefour). GF rents are RM5-RM7 psf with some in Summit fetching RM10 psf. Capital values are RM700 psf -RM1,000 psf.

Several hotels are operating in BP with average occupancies of 60%. The latest entry into the market is the Pine Tree Hotel which was remodelled from an office building. The 60-room Silver Inn exchanged hands about 2 years ago for RM3.5 million.

Several office buildings have been developed but only Wisma Sin Long has remained successful primarily due to its to anchor tenants, Prudential Insurance and UOB Bank.

Johor Bahru

Melaka

Overall, activities were stable but prices were up. Generally, prices and occupancy rates improved in all sectors except condominiums and industrial. Shopoffices sold for RM1.2 million in 2010 are now asking prices of RM1.5 – RM1.8 million. Arab City has launched 3 storey shopoffices for sale. Hatten Square is reported to be 60% pre-leased while Jaya 99, the only privately owned new office building, has secured 80% occupancy prior to completion.

Interest in the residential sector continues to be focused in the Cheng, Bukit Beruang and Ayer Keroh areas. In 2011, NAPIC estimated that about 4,406 units were built. Developers continue to carry out developments of which 60% are reserved for bumiputras of which there are about 2,000 unsold houses.

Melaka continues to be a favourite week-end getaway for Singaporeans with all hotels being fully booked during weekends. However, occupancies are low during the week days and as a result, most Melaka hotels are unable to achieve occupancy rates above 70% . Hotel Casa Del Rio opened in 2011. Hotel suites at Pahla One were successfully sold at RM700-RM800 psf with a 6% guaranteed return has been followed by Novotel and the Heritage Hotel. A hostel owned by Japanese investors was successfully sold by WTW and converted into a hotel in Bukit Beruang. Health tourism is a growing sector mostly from Indonesia.

The overall market outlook is continued gradual growth except the industrial sector where several industrial properties still remain for sale on the open market and vacant. The retail sector experiences the same business patterns as the hotel sector: high volumes during weekends followed by the doldrums on week days. The condominium market remains inactive as a result of the excess supply created in the past 10 years.

Pent-up demand persists in the residential sector but many houses remain unsold due to the mandatory 60% residential bumiputra quota which is in force. Rising building materials prices coupled with the bumiputra quota will drive house prices even higher beyond the financial means of low and middle income households.

SIGNIFICANT TRANSACTIONS IN 2011

Existing Building

Name	Description	Vendor	Purchaser	Date of Purchase	Transaction Price
Johor Bahru					
Menara Landmark	Mixed Commercial	Auction	Daiman Properties Sdn Bhd	Q3 2011	RM55 million
Melaka					
Digital Mall	Office	N/A	Syarikat Air Melaka Berhad	N/A	RM52 million
Plaza Inn (West Western Riverside Melaka Hotel)	Hotel	MBMB	Wana Holdings (M) SDN BHD	N/A	RM37million (or RM217,650 per room)

Development Land

Name	Description	Vendor	Purchaser	Date of Purchase	Transaction Price
Johor Bahru					
Near Taman Setia Indah	Mixed Development	Kenyalang Property Devt	Setia Indah SDN BHD	Q1 2011	
Puteri Harbour	Hotel and Serviced Apt	UEM Land Berhad	Terminal Perintis SDN BHD (Tiong Nam)	Q1 2011	RM8 million / RM28.25 psf
Mah Sing i-Parc, Port of Tj Pelepas	Industrial & Business Park	Multiple owners	Mah Sing Properties SDN BHD	Q2 2011	RM54.7 million / RM6.10 psf
Plentong Land	Residential & Commercial	MA Realty Sdn Bhd	Adawan Devt Sdn Bhd	Q2 2011	RM80 million / RM48.70 psf
Plentong Land	Residential Development	Trident World Sdn Bhd	Magical Heights Sdn Bhd	Q3 2011	RM220 million / RM40.40 psf
Melaka					
Tanjung Minyak	Development Land	Mutiara Kotamas	Midas Dimensi SDN BHD	Q2 2011	RM19.35 million / RM12 psf
Batu Pahat					
Lot 18769, Jalan Hap Soon Kang	Development Land	Goh Hoe Peng + 3	Tokoh Warisan Bina SDN BHD	Q2 2010	RM14 psf

Penang

In November 2011, the Penang State Government proposed plans for four new major road infrastructure projects worth up to a combined RM8 billion to cater to the needs of an expanding population and higher tourist arrivals in Penang and thereby stimulating growth of the local economy. These projects will include a 6.5 km undersea tunnel and three (3) other road by-passes. The Chief Minister said that these projects will be financed via land swaps and/or toll concessions.

Under the Initiative of the Northern Corridor Economic Region development, over RM10 billion worth of investments have been attracted since its launch in 2009 of which RM3.23 billion was recorded in January – April 2011. Phase 1 of Penang Sentral, an integrated transport hub project located on the site of the old Butterworth bus terminal is near completion. The bus and taxi terminals as well as retail outlets are being built under Phase 1.

Acquisition of development lands in Penang Island by developers remained active in 2011. Several major purchases of development lands that were reported include the following:

- Berjaya Land Development Sdn Bhd (BLDSB), a wholly owned subsidiary company of Berjaya Land Berhad has entered into a conditional Sale and Purchase Agreement with the Penang Turf Club in August 2011 to purchase approximately 57.3 acres of land for RM459 million which is analysed at approximately RM184 psf. BLDSB has proposed a low density gated and guarded residential development and preserving the existing abundance of landscape and greenery on the subject land which currently form part of the 270 acre Penang Turf Club.
- Ivory Property Group Berhad announced that it had won the right to acquire approximately 102.56 acres of land at Bayan Mutiara (in between the Penang Bridge and the Queensbay development) from the Penang Development Corporation. Approximately 67.5 acres are existing vacant land while another 35 acres will be reclaimed from the adjoining coastal area for development. The price for the land was reported to be RM240 psf which totalled RM1,072,203,264. The payment of the land price would be staggered over 5 years. Subsequently, Ivory Property Group Berhad proposed a joint venture with Djaya Corporation Berhad to develop the land through a newly formed joint-venture company of Tropicana Ivory Sdn Bhd.. The proposed development is known as Penang World City and would comprise mixed residential and commercial components.
- A joint-venture company between Fajarbaru Builder Group Berhad and Sagajuta (Sabah) Sdn Bhd was reported to be on the verge of buying an approximately 109-acre land parcel in Balik Pulau for around RM200 million (RM42 psf).
- The CP Group has disposed its 9-acre land at Queensbay development to Asia Green Development Sdn Bhd for RM160 million which is analysed to be approximately RM408 psf.

Developers proposing new residential projects in Penang Island has benefited from the new guidelines on the maximum density permitted for development. The maximum density has been increased to 87 units per acre or a "plot ratio of 1:2:8".

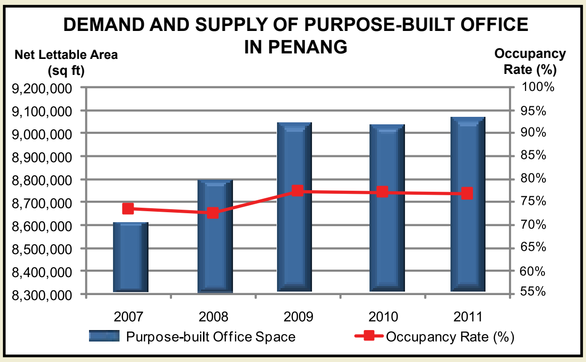
OFFICE SECTOR

Supply

For the past few years, the office property sector in Penang has been relatively subdued compared to other property sectors such as shopping complexes, luxury houses, upmarket condominiums and development lands.

An office building was newly completed in Bukit Jambul which is known as The CEO, bringing the existing supply of purpose-built office space in Penang Island to 9.06 million sq ft.

The area of Georgetown remains the major contributor of office space followed by the growth areas of Bayan Baru, Sungai Nibong and Gelugor at the south-eastern portion of Penang Island.



Source: PMR 2008, 2010, Q3 2011, JPPH

PENANG

Penang

Demand and Pricing

The occupancy rate currently stands at 73.6%. Due to the relatively less attractive market, two office buildings, namely Island Plaza Tower and Northam Tower, were being converted and launched for sale as serviced residences / commercial suites known as 118 @ Island Plaza and Mansion One, respectively.

Against the less exhilarating market outlook, landlords' expectations of office rents have moderated.

Generally, rental rates were about RM2.50 – RM2.80 psf per month for prime, well-managed and relatively newer office buildings. Older buildings are noted to have rentals of RM2.00 psf and below except for those that are more extensively renovated.

Generally, average capital values have been on a relatively stable trend in the last five years with minimal increase. Overall, the expected net yields by investors have declined to range of 5.5% to 6.5%.

A notable transaction of en-bloc purpose-built office building was reported in September, 2011. Menara IJM in Gelugor was sold by IJM Properties Sdn Bhd (the Vendor) to Ewein Land Sdn Bhd (the Purchaser), a wholly-owned subsidiary of the Penang based Ewein Berhad, whose core business is in precision sheet metal fabrication industry. The office building was transacted at RM50 million.

Secondary sales of stratified office units in purpose-built office buildings in Georgetown ranged from RM220 psf to RM340 psf depending on location, building, view, etc.

The future development trend of office buildings in Penang Island shows that apart from the established office zone in Georgetown, more office buildings are being planned to be developed at the south-eastern portion of the island, in the areas of Gelugor, Sungai Nibong and Bayan Baru. Compared to other areas, the south-eastern portion of the island has more parcels of lands with sizes that are suitable for better planned development. In the near future, the Penang office market is expected to be stable with subdued improvement, as moderated by the challenges in the global economy which poses uncertainty to the economy and business sentiment of the country.

RETAIL SECTOR

Supply

Retail sector continues to expand with established retail buildings and those with good management and differentiated offerings maintaining relatively higher business levels. Retail buildings which are not conceived well and with multiple ownerships continue to languish in the doldrums.

The overall existing supply of retail space in Penang Island has increased slightly with the completion of Tesco Tanjung Tokong. The existing supply is approximately 9.5 million sq ft of net lettable area (NLA) while the overall occupancy rate stands at approximately 74%. There are 14 major shopping centres and 5 hypermarkets. Carrefour Hypermarket is the latest addition of anchor tenants to the 1st Avenue shopping centre in Georgetown.

Tesco, Tanjung Tokong

New major shopping centres which are expected to be completed in 2012 include Penang Times Square Phase 2 (Birch Regency) and Gurney Paragon Shopping Mall. The first phase of Gurney Paragon Shopping Mall comprising food and beverages outlets in the historical St Joseph's Novitiate premises is scheduled to open soon. Another notable retail building under construction is the All Season Place developed by Belleview Group along Lebuhraya Thean Teik at Ayer Itam. It is of 3 storeys with a NLA of approximately 240,000 square feet accomodating a supermarket anchor tenant and 120 shoplots, together with 500 outdoor and indoor car parking bays. The anchor tenant would be Giant Hypermarket, which will occupy approximately 45,000 square feet.

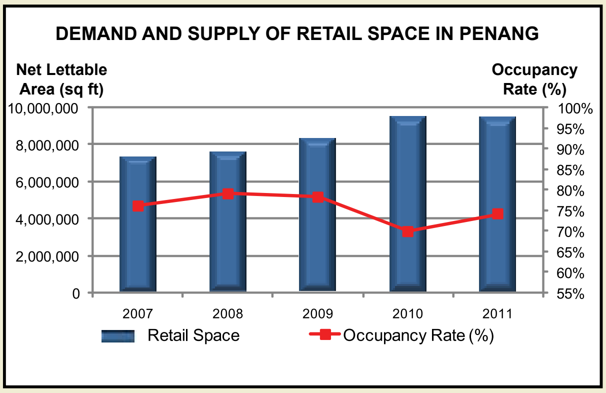
Penang

Demand and Pricing

With the limited new supply of retail space in 2010, rentals and prices have generally remained stable or increased gradually for better performing centres. Nevertheless, accommodation in older buildings and secondary locations continue to experience downward pressure on rentals.

Of existing shopping malls, Gurney Plaza recorded the highest rentals with ground floor rentals of RM9.20 – RM35.00 psf for small to mid-size lots. Major anchor tenants are currently able to negotiate and secure rentals of RM1.50 – RM2.90 psf for initial leasing.

Transaction of en-bloc retail buildings was active from end of 2010 to mid 2011 with the sale of 2 shopping centres and a hypermarket.



Source: PMR 2008, 2010, Q2 2011, JPPH

Queensbay Mall, Penang

In November 2010, CapitaMalls Malaysia REIT Management Sdn Bhd, the manager of CapitaMalls Malaysia Trust, announced that it has entered into a conditional Sale and Purchase Agreement to acquire the extension of Gurney Plaza (9 levels with 1 level of basement) of approximately 139,964 sq ft of NLA together with all its car park spaces and additional 129 car parking bays in the old wing of Gurney Plaza. The purchase price was RM215 million which is analysed at RM1,536 psf on NLA. Achieving a 100% occupancy rate, the net yield, based on the total Net Income over the transacted price, is analysed at 7.1%.

Following suit in December 2010, CapitaMalls Asia Ltd, a wholly owned subsidiary of CapitaLand announced that it would acquire 90.7% of retail strata area (5 levels) of Queensbay Mall of approximately 892,361 sq ft of NLA together with all its car park spaces of approximately 2,500 bays (8 levels comprising 2 basements and 6 elevated). The purchase price was RM651.8 million which is analysed at RM730 psf. With an occupancy rate of approximately 91.5%, the net yield based on the transacted price is estimated to be approximately 5.0%.

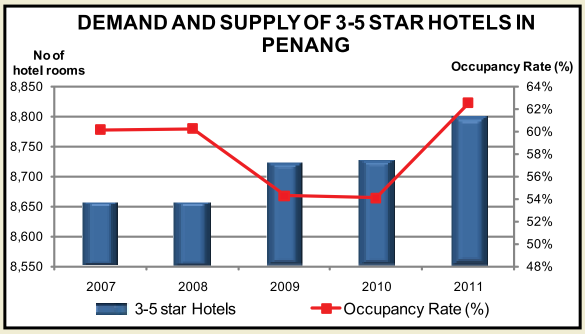
Subsequently in July 2011, E&O-PIE Sdn Bhd (a subsidiary of E&O Berhad) has entered into a Sale and Purchase Agreement to dispose the newly completed retail building operated as Tesco Tanjung Tokong (3 storeys with 1,042 car park bays) to Soaring Profit Sdn Bhd for RM134 million. With a gross lettable area (GLA) of approximately 269,418 sq ft, the transacted price is analysed at RM497 psf. The lease rental is approximately RM7.6 million per annum which is analysed to be RM2.35 psf per month on GLA with a gross yield of approximately 5.7% on the transacted price.

HOTEL SECTOR

Supply

The overall supply of 3-5 star hotel rooms in Penang Island stands at 8,800 rooms from 31 hotels. New hotels in 2011 were predominantly those located in and around the city centre; small, budget/boutique hotels catering to domestic travellers.

There are currently four (4) hotel projects in various stages of construction, which are expected to be completed within the next three years. All these projects are located in Georgetown and upon completion will increase rooms supply by 449 rooms.



Source: Leisure Property Stock Report Q4, 2007 – 2010 & 2Q 2011, JPPH

PENANG

Penang

Major hotel developments under construction:

Name	Owner	Location	Description	Star Rating	No. of Rooms	Est. Comp Date
E&O Hotel Extension	Eastern & Oriental Bhd	Lebuh Farquhar	Nearly completion	5	139	2012
Royal Bintang	Boustead Holdings Bhd	Pengkalan Weld	Under construction	5	150	2012
Mansion One	Magna Puteh Sdn Bhd	Jalan Sultan Ahmad Shah	Coversion of Northam Tower	3	110	2013
Rice Miller Hotel	Asian Global Business Sdn Bhd	Pengkalan Weld	Earthworks in progress	NA	50	2014

Demand and Pricing

Generally, the majority of the hotels in Penang Island achieved monthly occupancy rates in the region of 55% to 70% in most months. Hotels along Persiaran Gurney (G Hotel and Evergreen Laurel Hotel) achieved higher occupancy rates in the range of 63% - 90%, due to their popularity with tourists for their location along Gurney Drive, with ample food and beverage outlets and shopping facilities at Gurney Plaza.

Hotels in other locations performed reasonably well including those in Batu Ferringhi and Georgetown - Inner City.

Hotel room rates and occupancies maintained a gradual up-trend and visitor arrivals to Penang continued to expand with growth primarily from the domestic tourism sector. In addition, the resurgence and increase in foreign visitor arrivals to Penang is also due mainly to the inclusion of Georgetown into the UNESCO World Heritage City listing and the rise of budget airlines.

Average room rates (ARR) in 2011 ranged from RM250 – RM400 per room per night for 3 – 5 star hotels. The Rasa Sayang Resort and Spa in Batu Ferringhi commands the highest room rates of RM600 – RM700 per room per night while the Eastern & Oriental Hotel, a 5-star heritage hotel in the heritage city of Georgetown achieved ARR of RM520 – RM560 per room per night.

The encouraging sentiment of the hotel and tourism sector of Penang is expected to extend to 2012 although the occupancy rates and achieved average room rates could be slightly lower than 2011.

CONDOMINIUM SECTOR

Supply

The condominium market is one of the most active sectors in Penang with a large number of projects launched and under construction.

The overall existing supply of condominiums and serviced residences in Penang Island is approximately 32,900 units. Most of the units are located within the North East District (85%) followed by South West District (15%). Upmarket condominium projects newly completed in 2011 include Harmony Residence and Gurney Paragon totalling 293 units.

A number of condominium projects totaling approximately 5,700 units are under construction. Two projects, namely One One Eigth @ Island Plaza in Tanjung Tokong and Mansion One in Georgetown are serviced residences being converted from existing purpose-built office buildings.

Gurney Paragon Condominiums

Newly launched projects include :

- Rice Miller City Residences (by Asian Global Business Sdn Bhd) comprising 99 units at Weld Quay, heritage area of Georgetown with floor areas of 757 sq ft to 3,350 sq ft, priced from RM1.13 million to RM3.7 million per unit;
- Fiera Vista (by Ideal Property Development Sdn Bhd) comprising 470 units at Bayan Lepas with floor areas of 1,450 sq ft and 1,650 sq ft priced from RM478,000 per unit;
- The Light Collection III (by IJM Land) comprising 150 units at Gelugor;
- The Address (by IJM Land) comprising 148 units at Bukit Jambul;
- Pavilion Resort (by Wabina Holdings Sdn Bhd) comprising 99 units at Teluk Kumbar;

Penang

- Icon Residence (by Mah Sing Berhad) comprising 280 units along Pykett Avenue in Pulau Tikus;
- Setia V Residence (by SP Setia Berhad) comprising 67 units along Jalan Kelawai near Gurney Drive with floor areas from 2,300 sq ft to 4,000 sq ft;
- The Latitude (by Ivory Property Group Berhad) comprising 220 units at Mount Erskine with floor areas ranging from 1,500 sq ft to 5,300 sq ft, priced from RM690,000 to RM2.9 million per unit;
- 1 Tanjong (by Lone Pine Group of Companies) comprising 147 units at Tanjung Bunga with floor areas of 4,760 sq ft, 9,600 sq ft and 18,600 sq ft;
- Summerton [by GSD Land (M) Sdn Bhd] at Bayan Indah, in between Bayan Mutiara and Queensbay development with floor areas from 1,840 sq ft to 2,694 sq ft priced from RM700,000 per unit

Demand and Pricing

To-date, the condominium market in Penang Island has been bullish. Prices continued to be on an uptrend with brisk sales for most of the newly launched projects. The majority of the surveyed projects achieved quite good sales rates of more than 60%. With rentals remaining stable, yields have decreased further amidst the increasing market prices.

In the near future, market resilience would be tested as more units are expected to be completed in 2012 and 2013.

LANDED RESIDENTIAL SECTOR

Supply

Landed houses remain the preferred choice of residential accommodation for residents of Penang, although more attractive and relatively affordable apartments and condominiums are being launched in the market.

The overall existing supply of houses (terraced, semi-detached, cluster and town houses) in Penang Island is approximately 35,600 units. Although most of the units are located within the North East District (56%), comparatively larger housing schemes have been launched and completed within South East District since the past decade. Housing units under construction totalled nearly 2,000 units which the bulk of the units are located within the South West District (82%). New launches of houses in 2011 comprise an increasing proportion of semi-detached and detached houses.

Major newly-launched projects include :

- Permai Gardens (by Boon Siew Group) comprising 132 units of 3-storey terraced houses and 31 units of 3-storey detached houses at Tanjung Bunga with floor areas of 3,200 sq ft to 3,400 sq ft (terraced house) and 4,300 sq ft to 5,400 sq ft (detached house);
- Valencia Park (by Ideal Property Development Sdn Bhd) comprising 142 units of detached houses;
- Taipan (by Ideal Property Development Sdn Bhd) comprising 75 units of semi-detached houses;
- Pearl Villas (by SP Setia Berhad) comprising 35 units of detached houses at Sungai Ara with typical land area of 3,500 sq ft and built-up area of 6,600 sq ft which are priced from RM2.98 million per unit;
- 11 Brook Residences (by SP Setia Berhad) comprising 11 units of detached houses near Jesselton Garden at Pulau Tikus;
- Ratu Mutiara 3-storey semi-detached houses (by Taman Ratu Sdn Bhd) comprising 20 units at Tanjung Bunga priced at RM2,180,000 to RM2,500,000 per unit;
- Botanica.CT Phase 4 (by MTT Properties and Development Sdn Bhd) comprising 29 units of 3-storey detached houses at Balik Pulau with land areas from 9,000 sq ft to 16,000 sq ft and built up area of 6,000 sq ft were priced above RM3 million per unit;
- Sunway Aspera (by Sunway City Berhad) comprising 85 units of 2- and 3-storey terraced houses at Teluk Kumbar with built-up areas of 1,840 sq ft (2-storey) and 2,040 sq ft (3-storey)

Demand and Pricing

Generally, due to the hike in land and building costs, the uptrend in prices of newly launched houses continue unabated to new benchmark levels. Moreover, older residential units in established neighbourhoods also remain highly sought-after despite sellers asking high prices. As the rental market in Penang is limited and coupled with the increasing prices, net yields of houses have reduced to the lowest. Currently, net yields of houses in Penang Island generally range from 1% to 2.5%, depending on types, location, tenure, etc.

With more choices of new housing accommodation entering the market, the steep hike in prices is expected to taper off in the near future.

INDUSTRIAL SECTOR

New supply of industrial land and premises on Penang Island is limited. There is currently only one major industrial park located in Bayan Lepas, which is developed by the Penang Development Corporation (PDC). The industrial lands and terraced factories within the Free and non-Free Industrial Zones in the Bayan Lepas Industrial Park have tenure of 60-year leasehold term. The transacted prices for these vacant industrial lands have increased over the past 3 years to currently about RM35 psf to RM50 psf for unexpired leasehold terms of 40 to 60 years.

DHL warehouse-cum-office complex in Bayan Lepas Industrial Park

One of the recent major transactions in October 2011 within Phase 4 of the Bayan Lepas Industrial Park involves the acquisition and leaseback arrangement by Axis Real Estate Investment Trust (Axis-REIT) with DHL Properties (Malaysia) Sdn Bhd (DHL). Axis-REIT has proposed to acquire the 3-storey office block and a logistic warehouse complex belonging to DHL, with a Gross Floor Area (GFA) of approximately 231,940 sq ft. The industrial complex is erected on a 7.6-acre industrial site with an unexpired leasehold term of approximately 50 years. The transacted price is RM48.5 million. The leaseback arrangement to DHL involves a fixed term of 5 years with the following rentals :

Year	Monthly rental
1	RM379,529.35 (RM1.64 psf / month on GFA)
2	RM387,119.94 (RM1.67 psf / month on GFA)
3	RM394,862.34 (RM1.70 psf / month on GFA)
4	RM402,759.58 (RM1.74 psf / month on GFA)
5	RM410,814.77 (RM1.77 psf / month on GFA)

Renewal option after the fixed 5-year term would be a further 5 years on monthly rentals to be renegotiated based on prevailing market rate subject to certain conditions.

In terms of prospects, demand for industrial space in Penang Island is expected to remain strong. With the limited new supply, industrialists are expected to seek alternative industrial land and premises on the mainland.

Seberang Perai

The property market upward trend in 2010 continued into 2011. The year saw a string of residential and commercial developments being launched in Seberang Perai, especially in Butterworth, Seberang Jaya, Bukit Mertajam and Kepala Batas.

Movement in the market can be expected to be optimistic with continuous interest in the landed housing sector particularly gated and guarded facilities as well as apartments and condominiums with good facilities.

Many new projects come with elegant designs suited for contemporary family needs, attractive features and quality specifications and finishes.

Residential and commercial properties in Seberang Perai continue to enjoy high demand in a few hot spots such as along/off Jalan Raja Uda in Seberang Perai Utara and Alma and Bukit Minyak in Seberang Perai Tengah.

Demand has also been boosted in Seberang Perai Selatan particularly at Bukit Tambun and Batu Kawan locality due to their proximity to the Second Penang Bridge which is scheduled for completion in 2013.

The commercial sector also showed improvement in the year under review evidenced by the increase in transaction values as well as rental rates. Active commercial areas include Pusat Perniagaan Raja Uda in Seberang Perai Utara and Pusat Bandar Seberang Jaya, Jalan Song Ban Kheng and Juru Autocity in Seberang Perai Tengah.

The developer's selling price for new two storey shopoffices in the District of Seberang Perai Selatan are also breaking a new threshold of RM400,000.00.

The new alfresco dining concept featured in two and three storey shopoffices seem to have gained market acceptance in Seberang Perai Selatan.

Acku Industrial Estate at Sungai Lokan recorded some of the highest prices for freehold industrial land in Seberang Perai. Prices of leasehold industrial land in Bukit Minyak Industrial Park and Valdor Industrial Estate have also seen increases over the previous year's price due to strong demand and proximity to the Second Penang Bridge.

Generally, the Second Penang Bridge when completed would act as catalyst for the development of Seberang Perai, particularly benefiting the district of Seberang Perai Selatan in the surrounding areas of Bukit Tambun, Simpang Ampat and Valdor.

Penang

Alor Setar

The most significant development in Alor Setar is the Ipoh-Padang Besar Double-track railway project. Four interchanges are being built to enable the non-stop railway service. However, the full impact of this project will only be realised when the project is completed.

The housing market in Alor Setar has continued to dampen since the new measures introduced by the Pakatan Government: conversion of lands to Malay reserve and 50% bumiputera quota for housing projects.

Tesco opened a second hypermarket at Stargate in July 2011. Tesco was well received but long-term viability is still to be proven as more than 100 shopoffices in the neighbourhood still remain vacant.

Current prices of shopoffices are about RM400,000 for 2-storey and RM650,000 for 3-storey while industrial semi-detached units are priced around RM1 million and RM400,000 for 1½ terraced factories.

The new residential area in Alor Setar is the Jalan Langgar area on the northern fringe of the city.

Aman Central, a new lifestyle shoppping mall in the heart of Alor Setar city, will open for business in the fourth quarter of 2014. This project was a collaboration between the Belleview Group and Kedah State Development Corporation (PKNK) at the site of the abandoned Plaza Tunku Yaacob would have a net lettable area of 750,000 sq ft. The RM500million mall is part of three major development projects by Belleview Group which include Amansuri Residences (launched in May 2011) and a five-star hotel to be launched next year.

Sungai Petani Property Market is entirely different from Alor Setar due to fundamental supply differences: limited land supply in Alor Setar as opposed to abundant land in Sungai Petani. Therefore, property prices, trends and outlook in Alor Setar had a ripple effect into Sungai Petani.

An artist's impression of the Aman Central shopping mall project on Lebuhraya Darul Aman in Alor Setar, Kedah

Ipoh

The Kinta Riverfront Integrated Project got on track last year with more than 80% of the 239 serviced residences already sold while the shopping mall with more 350 outlets and 5-star hotel (wholly owned by Morubina Sdn Bhd) will be opened upon completion of construction targeted for end 2011. Other major projects in progress in Ipoh include MH Tower and Jusco at Station 18.

A new 200 million wholesale centre similar to the "Nilai 3" concept in Negeri Sembilan is going up at Bandar Seri Iskandar, about 50 kilometres from Ipoh on the way to Pangkor and near to the Universiti Teknologi Petronas and Universiti Teknologi Mara campuses. As a joint venture with Persatuan Peniaga Nilai 3, traders at Nilai 3 have committed to set up shops at the new 19.2 ha development.

Manufacturing Industries have limited potential in Ipoh / Perak due to the absence of an international airport and as well as shipping port. Industries which have sustained in Perak have been the limestone quarries, mineral water (Spritzer: which is exported worldwide) palm oil processing (Yee Lee Oil) and coffee processing (Old Town Coffee).

The future economic growth of Ipoh / Perak will be partly contributed by the tourism industry arising from its eco-attractions and its established reputation for a wide variety of local foods. The Belum Forest Reserve could prove to be a major tourist destination in the future. The Adeline Resort in Gopeng is also gaining growing tourism interest.

The Banjaran Hotspring

Penang

SIGNIFICANT TRANSACTIONS IN 2011

Existing Building

Name	Description	Vendor	Purchaser	Date of Purchase	Price per sq ft	Transaction Price
Penang						
Menara IJM	Office	IJM Properties	Ewein Land Sdn Bhd	Q3 2011	RM530	RM50 million / 94,413 sq ft
Sri Tanjung Hypermarket	Retail	E&O Bhd	Soaring Profit Sdn Bhd	Q3 2011	RM497	RM134 million / 269,418 sq ft

Development Land

Penang						
Penang Turf Club	Residential development	Penang Turf Club	Berjaya Land Development Bhd	Q3 2011	RM184	RM459 million / 57.3 acres
Bayan Mutiara	Coastal / Land reclamation	Penang Devt Corp	Ivory Property Group	Q4 2011	RM240	RM1.07 billion / 102.5 acres
Queensbay Development	Commercial	CP Group	Asia Green Development Sdn Bhd		RM420	RM160 million / 9 acres
Seberang Perai						
Lebuh Raya Tembikai S Perai Tengah	Commercial	Lim Teng Soon@Lim Ah Khoon	Brilliant Venus Sdn Bhd	Q1 2011	RM27	RM3million
Pusat Perniagaan Raja Uda, S Perai Utara	Development land	Cherating Dev. Sdn. Bhd.	Flexizone Venture Sdn Bhd	Q1 2011	RM68	RM15million
Off Jln Pmtg Maklom - Pekan Darat, S Perai Utara	Development land	Chan Kok Jee	Xin Kim Metal Sdn Bhd	Q1 2011	RM12	RM2.190million
Lot 1235, Mk 15. Jln Simpang Ampat - Sungai Bakap	Development land	TPPT Sdn Bhd	Dutamas Warisan Sdn Bhd	Q1 2011	RM6	RM8.27million
Jalan Baru, Perai, S Perai Tengah	Commercial	Metrarama Sdn Bhd	Soongifa Trading (Butterworth) Sdn Bhd	Q2 2011	RM86	RM1.5million
Ipoh						
Lot 9867N Jalan Hospital / Jalan Dato Sri Ahmad Said	Commercial land	Chin Development Sdn Bhd	National Land Finace Cooperative Society Ltd	Q1 2011	RM79	RM14.275 million
No. 96 - 100 Jalan CM Yussuf	Commercial land	Fook Lee Chan Sdn Bhd	Cheah Sun Chun	Q2 2011	RM156	RM900,000

Kuantan

Kuantan is located in the centre of the East Coast Economic Region (ECER), a Federal Government development initiative covering more than 66,000 sq km, about 51% of the land area of Peninsula Malaysia. ECER aims to grow by 25% by 2020 generating a regional GDP of more than RM65 billion and an economic workforce of about 2 million as 560,000 new jobs are created.

Kuantan is also located in the Special Economic Zone (SEZ) which was launched in August 2009 as the first special economic zone in Malaysia. A 25km by 140km strip stretching from Kertih, Terengganu to Pekan in Pahang, SEZ has focused on the development of 6% of the total land area of the ECER to generate RM90 billion in investments, 44% of employment (250,000 jobs) and 80% of total regional economic output by 2020.

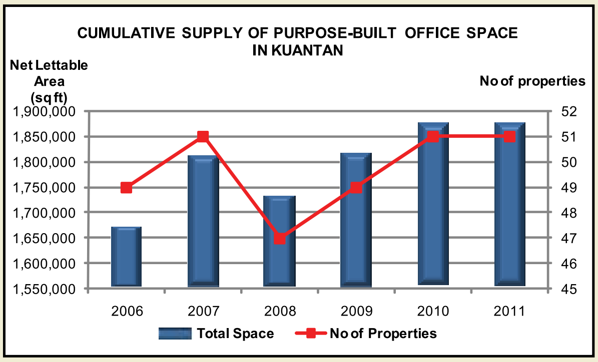
Located within SEZ are the capital city of Kuantan, the ports of Kuantan, Kertih, Kemaman and Tanjung Agas and the airports of Kuantan and Kijal as well as the industrial nodes of Kertih, Kuantan Port City and Pekan-Peramu.

The Rare Earth project had affected market sentiment. While transactions activity has dropped, prices have refused to move upwards until further resolution of the issue is achieved.

OFFICE SECTOR

Supply

The cumulative supply of purpose-built office space in Kuantan reported at end 2011 was about 1.88 million sq ft, comprising 51 properties. During the year, one (1) purpose-built office building, Menara Zenith Office Tower, totaling approximately 460,000 sq ft was added to current supply. This is a modern office tower with 23 levels height and is currently the tallest building in town.

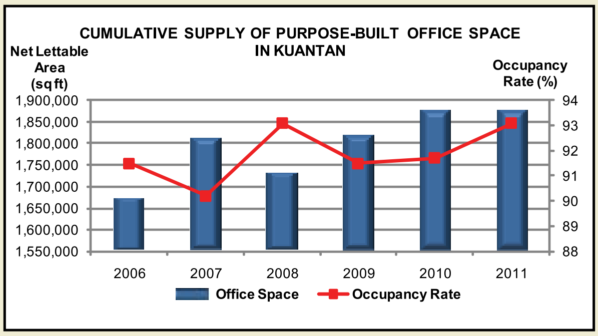


Source : JPPH, WTW Research, 2011

Demand and Pricing

Over the past six (6) years, purpose-built office buildings in Kuantan have maintained a relatively high occupancy rate of over 90%.

The demand and supply of office space in Kuantan is shown in the following chart.



Source : JPPH, WTW Research, 2011

In terms of pricing, office monthly rental ranges from RM2.80 psf for ground floor units to RM1.50 psf for upper floors.

Menara Zenith is on the right. Zenith Hotel is on the left. Convention Centre in the middle.

Market Outlook

Kuantan has been identified as one of the future growth centres and a hub for trade and commerce under the ECER master plan. These developments are expected to generate more business activities and therefore, increase the demand for office space in the near future.

Kuantan

RETAIL SECTOR

Supply

2011 was a quiet year for retail sector in Kuantan as no additional supply was completed. There are a total of twelve (12) retail malls in Kuantan contributing a cumulative supply of almost 1.85 million sq ft as at end of 2011.

Demand and Pricing

The occupancy rate for retail sector in Kuantan has been relatively high since 2006. An occupancy rate of about 90% had been registered annually, but the trend reversed from 2009 as a number of retail malls came on-stream and the occupancy rate declined to 80% by 2010.

In 2011, rentals for retail malls located at ground floors of prime areas such as Kuantan Parade were rented as high as RM24 psf. Other major malls were rented between RM8 psf and RM18 psf.

In terms of transaction, CapitaMalls Malaysia Trust, a retail REIT, has purchased the East Coast Mall for RM310 million (or RM702 psf) with a yield of 6.7% in 2011.

Market Outlook

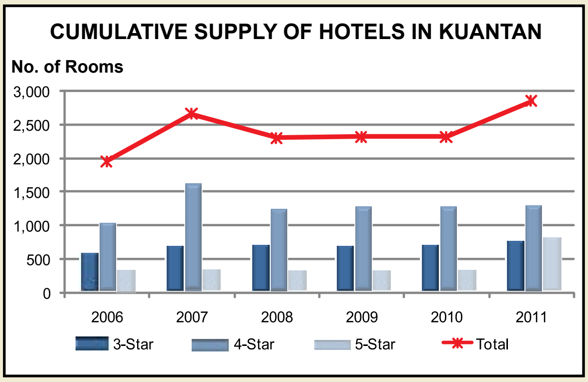
The retail sector is expected to stay stagnant as shopping expenditure growth remains slow but steady. As a result, no new major retail projects have been announced and the leasing market for retail space will be less competitive for the time being.

HOTEL SECTOR

Supply

In 2011, a budget hotel named Avenue Hotel opened while the Vivo Hotel had a soft opening in July. As at end of 2011, the cumulative supply for 3 to 5-star hotels in Kuantan stood at 2,841 rooms from 12 hotels.

The supply of hotel rooms in Kuantan is shown in the chart below.



Source : JPPH, WTW Research, 2011

Performance

The occupancy rate for 3-star hotels was below 60% from 2006 to 2010, but it increased marginally to slightly above 60% in 2011. Hotel occupancies in Kuantan has been supported mainly by the public sector seminars market segment. Four-star hotels achieved occupancy rate of around 60% in 2006 and 2007 whereas it decreased to below 50% from 2008 onwards while 5-star hotels maintained occupancy rates at 50% annually.

However, budget hotels performed better with many weekend visitors from the Klang Valley. Beaches in Balok as well as the Rainbow Waterfall and Panorama Hill in Sungei Lembing have become favorite tourist spots for these domestic tourists. Overall, budget hotels in Kuantan have outperformed 3 to 5-star hotels, with an average occupancy rate of above 80%.

In terms of room rates, the overall average room rates (ARR) for 3 to 5-star hotels in Kuantan remained steady over the last six (6) years.

Market Outlook

Prospects for the hotel sector in Kuantan is for strong growth due to its recognition as a future growth centre and a hub for tourism especially in the domestic market.

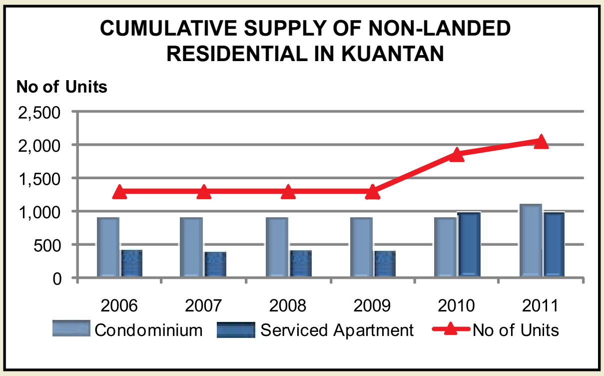
East Coast Mall

Kuantan

CONDOMINIUM SECTOR

Supply

The total cumulative supply of condominiums in Kuantan consisting of condominiums and serviced apartments stood at 2,048 units as at end of 2011. Of this total supply, 196 units of condominium were completed in 2011. The following chart shows the growth of condominiums since 2006.



Source : JPPH, WTW Research, 2011

Demand and Pricing

Recently, a leading developer in the country, PJ Development Holdings Bhd (PJD) has previewed its seaside serviced residences in Sungai Karang, Kuantan. Phase 1 of this project has over 200 units of serviced apartments and is currently selling for above RM300 psf.

In terms of selling price, non-landed residential properties peaked during 2008. Prices were hovering between RM200,000 and RM330,000. Unfortunately, prices dropped to between RM140,000 and RM250,000 per unit in the following year. In 2011, sales prices reverted to between RM230,000 and RM400,000.

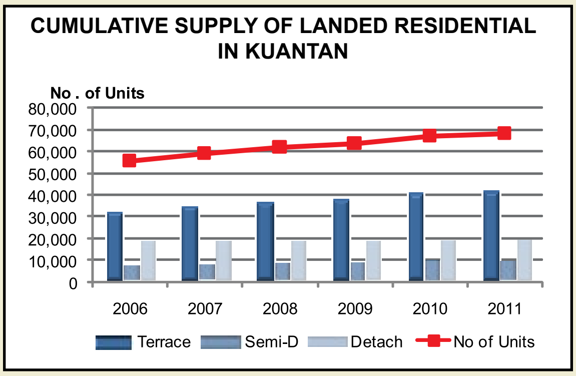
Market Outlook

The on-going Lynas Advanced Material Plant project has became a major concern to the residences in Kuantan. Generally, transaction activities are expected to remain weak with a slow movement of prices.

LANDED RESIDENTIAL SECTOR

Supply

As at end of 2011, there were about 68,281 landed residential properties in Kuantan. Of this total, over 1,000 units were newly completed in the year. The chart below shows the supply of landed residential properties in Kuantan for the past six (6) years.



Source : JPPH, WTW Research, 2011

In terms of future supply, the housing projects are currently under construction include the following:

Project Name	Location	Developer	No of Units
KotaSAS	Bandar Indera Mahkota	Kota SAS Sdn Bhd	225
Hijauan Perdana	Kg Padang	Macinda Development	77
Bandar Putra	Tanjung Lumpur	Pasdec Putra Sdn Bhd	150
Andorra Peak	Jln Semambu	Bitumix Properties Sdn Bhd	48
Pelindung Hills	Jln Tengku Muhammad	K Pertama Sdn Bhd	24
Bukit Istana (Sovereign)	Bandar Indera Mahkota	Bindev Sdn Bhd	99

Source : JPPH, WTW Research, 2011

PJD Project site

Kuantan

Demand and Pricing

Over the years, house prices in Kuantan have increased significantly. Average prices of double-storey terraced units increased from RM198,000 in 2006 to RM355,000 in 2011. On the other hand, Semi-Detached and Detached houses increased from RM350,000 in 2006 to RM540,000 in 2011 and from RM210,000 in 2006 and RM667,000 in 2011 respectively.

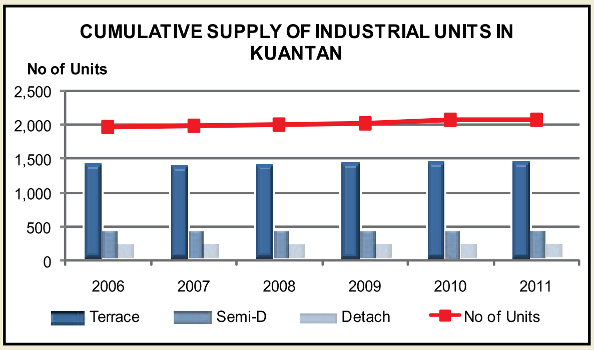
Market Outlook

The overall landed residential market in Kuantan will remain positive. The sector is expected to continue to be dominated by houses especially those located in out-of-the town areas. This is due to the affordability as well as the current preference trend for ample land of plots.

INDUSTRIAL SECTOR

Supply

The total supply of terraced, semi-detached and detached industrial properties in Kuantan stood at 2,072 units in 2011. Five (5) units of detached properties were completed throughout the whole year. The distribution of industrial properties in Kuantan is depicted in below.



Source : JPPH, WTW Research, 2011

A total of thirty-seven (37) industrial units of future supply are in the pipeline and are currently under construction.

Kuantan Biz Park is one of the industrial developments in Kuantan. It is a privatisation scheme undertaken by DB Consortium Sdn Bhd in collaboration with Majlis Perbandaran Kuantan was launched in 2011. It is located approximately 2.5 km from the Kuantan Town, next to the Pasar Borong Kemunting. This development comprises 3-storey shops, 2-storey Pasar Borong and warehouse units.

Demand and Pricing

The buying and selling of industrial properties in Kuantan maintained an increasing pace. Prices in industrial areas have appreciated for over 50% in the past three (3) years. Currently, industrial lands are priced between RM28 psf and RM30 psf where as three (3) years earlier was between RM12 psf and RM15 psf.

Market Outlook

In the near future, the Industrial market especially on terraced factories is expected to further bustle due to the continuous active transactions and its affordability.

Kota Bharu

The new commercial area in Kota Bharu is Bandar Baru Tunjong which will accommodate some government complexes which is expected to act as a magnet to attract other commercial activities. KB second bridge is currently under construction.

The only 5-star hotel found in Kota Bharu continues to be the Renaissance Hotel (70% - 80% occupancy) and the 4-star Grand River View Hotel (60%-70% occupancy). Tune Hotel (budget hotel) was newly completed in 2011. A block of 172 serviced apartments is also under construction next to Tune Hotel. PNB is currently building Hotel Perdana.

Anjung Vista service apartment and One Residence are apartment project which under contruction comprising 261 units and 102 units respectively. Serviced apartments have been a popular investment in KB for more than 2 years with many of the units rented at daily rates yielding good returns.

The Tesco Hypermarket is now a major player in the Kota Bharu retail market as well as Mydin Hypermarket. The most popular mall in Kota Bharu is KB Mall. Mydin has proposed to build a new hypermarket on a 15 acre site within Bandar Baru Tunjong and has just started earthworks but no plans have been submitted.

Kuala Terengganu

The new shophouses on Jalan Paya Keladi are expected to be completed in 2012. Kampong Ladang is the new commercial area. The office building under construction is Payang Bunga Square.

The Rex Cinema site was sold in July 2011 for RM8 million. At RM250 psf, this was the highest price recorded for sale of commercial land. A 6.5 acres industrial land in Gong Badak was also sold for RM8 million or RM28 psf.

In an effort to rejuvenate economic activities especially that are tourism related, five key development areas have been identified in KTCC as a catalyst development. Among them, an area of reclaimed land totalling 180 acres is in the midst of being developed. The overall KTCC development has an estimated gross development value (GDV) of RM5 billion.

The KTCC development is planned to revolutionize property development efforts in Kuala Terengganu specifically and generally within the ECER due to:

- Introduction of strategic key development components such as waterfront residential, integrated lifestyle enclave, health & wellness village, themed resort and others that will propel the development of Kuala Terengganu as a true 'Heritage Waterfront City';
- Integration of Muara Utara and Muara Selatan by way of an iconic drawbridge which in itself will be a landmark and a first in the country; and
- Sufficient massing of development components that will generate new economic activities which is complemented by a dedicated infrastructure network and Urban Design Guidelines.

SIGNIFICANT TRANSACTIONS IN 2011

Name	Description	Vendor	Purchaser	Date of Purchase	Price per sq ft
Shopping Malls					
East Coast Mall, Kuantan	New Kuantan Town Centre	Zenith Aim Sdn Bhd	Capital Mall	Q2 2011	sold RM 310 million RM520 psf (over gross floor area)
Hotels					
Merlin Inn Resort, Kuantan	Teluk Cempedak	Berjaya Tioman Island Resort	Franky Construction & Kin Kee Properties	Q3 2011	RM230,000 per room
Development Lands					
Kuantan					
Vacant Commercial Land	Indera Mahkota	Bina Puri Berhad	Dato' Jack + Others	Q3 2011	RM 28 psf
Kuala Terengganu					
Vacant Commercial Land	Gong Badak	Ausling Height (Trg) Sdn Bhd	Mydin Wholesale Cash & Carry Sdn Bhd	Q1 2011	RM11,679,072 / RM38 psf
Vacant Land	Gong Badak			2011	RM 28 psf

EAST COAST

SABAH

Kota Kinabalu

The Sabah Economic Development and Investment Authority (SEDIA) reported that the Sabah Development Corridor attracted RM30.06 billion in investments from 2008 – 2010. Under Phase 1, all flagship projects such as the Palm Oil Industrial Clusters (POIC) in Lahad Datu and Sandakan, Sandakan Education Hub and Keningau Integrated Livestock Centre had been implemented which have created 32,900 jobs in 2008 and 40,000 jobs in 2009. The Sabah Agro-Industrial Precinct and several other agropolitan and infrastructure projects proposed in Phase 1 have also commenced.

Phase 2 of SDC, which commenced in 2001 and lasts until 2015 is aimed at doubling GDP by 2015 to about RM32 billion. SEDIA anticipates that tourism will contribute over 10% to GDP.

Federal Government support of the Sabah tourism industry was reinforced with the announcement of Karambunai Integrated Resort City as one of the Entry Point Projects and is expected to create about 11,000 jobs by 2020.

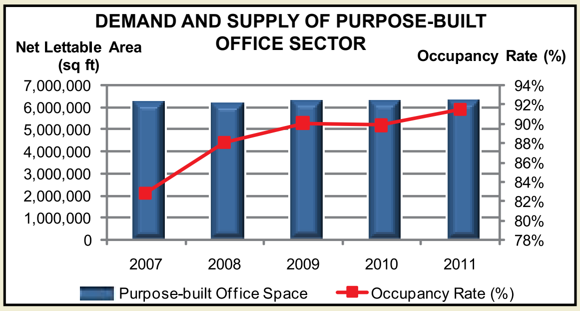
Asian Pac Holdings Bhd also launched a tourist recreational and commercial development at KK Times Square in Sembulan, Kota Kinabalu. Comprising a shopping mall and 631 serviced residences, the project was expected to be completed in about 26 months.

The Riverson project located along the coastal highway will be a new Kota Kinabalu landmark when completed in 2014. The project consisting of the Gleneagles Kota Kinabalu Medical Centre and a commercial and residential complex. Together with the existing developments of Sutera Harbour, KK Times Square, Wawasan Plaza and Harbour City, the Riverson project could be the catalyst for the expansion / extension of the existing congested Kota Kinabalu commercial centre to form a new commercial downtown precinct.

OFFICE SECTOR

A relatively stable purpose-built office sector, with little or no change except for some reduction in supply with conversion of few office buildings to hotels in the last 1-2 years.

Existing supply of purpose-built office space currently stood at some 6.2 million sq ft with occupancy rate at 91%. The high occupancy is also due to lack of new supply since the completion of Federal Complex along Jalan UMS and the Lands and Survey Building. There is currently no known future supply of purpose built office space.



Source: PMR 2008, 2010, Q2 2011, JPPH

Demand for office space building is more than offset by development of shopoffices whilst traffic and parking constraints in the Central Business District (CBD), wherein most office buildings are located, continue to see demand channeled to fringe locations or suburban centres.

Rents and values are noted to be rather stable, overall, although there is some upward movements in rents and values for prime and newer office buildings within the CBD. Overall, yields are estimated to be around 5%.

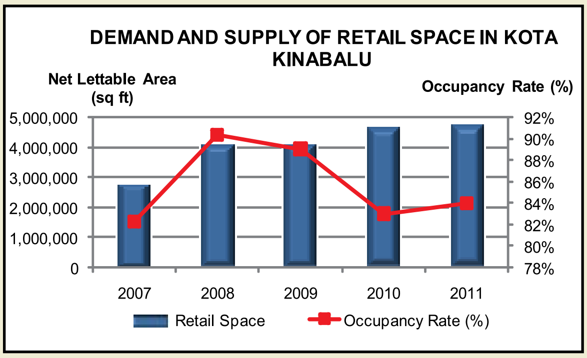
Generally, the Kota Kinabalu purpose-built office sector is likely to tread on a stable trend in view of no known new supply and projected stable demand with prime office rents sustained in 2012.

RETAIL SECTOR

Retail sector remains stable with established retail malls and those with good management and differentiated offerings maintaining high business levels. There were no new additions of retail mall developments in 2011.

Although the presence of major retail centres that have mushroomed in suburban areas in the last five years have seen some dispersal of crowds at peak periods i.e. festive seasons, school holiday breaks, the Malaysia mega sale periods and events such as expos would see a steady flow of shoppers from outlying towns to the major retail malls. Entertainment facilities such as cineplexes also play a significant role to draw in the crowds.

The current supply of retail mall stands at some 4.5 million sq ft (excluding stand-alone hypermakets and retail malls of <60,000 sq ft) with overall occupancy estimated at 84%. The third quarter of 2011 saw the re-launch of Pacific Parade, a retail mall by the new owners / joint-venture partners with prices of RM2,800 to RM3,100 psf for ground floor units. Located about 3km from city centre along Jalan Coastal, the project previously known as KK Mega Mall had been dormant for some years. The retail mall within the proposed Riversson mixed development was launched at RM1,600 psf - RM3,00 psf for ground, first and second floor units. Jesselton Mall retail component of the proposed Jesselton Residences, located next Suria Sabah retail mall, was also launced at price of RM1,900 psf - RM2,200 psf for the basement and first floors.



Source: PMR 2008, 2010, Q2 2011, JPPH

2012 will also see the completion of 1Sulaman 'shoplex' or 'shop-mall', which has a retail space of some 184,000 sq ft located on the lower levels of the ongoing 1Sulaman Platinum Tower condominiums, in the vicinity of 1Borneo hypermall.

The rental market varies quite significantly with those having a more established presence and high customer traffic commanding higher rents. Typical prime ground shop space of 300-500 sq ft in the CBD fetch more than RM20 psf, on average, although smaller lots / kiosks command higher rates whilst preferential rates are given for bigger lots or mini-anchor tenants.

Overall, average capital values of prime ground flood retail space is in the region of RM2,650 psf, reflecting a current yield of around 6.5%.

The anticipated increase of retail space may see a more competitive retail sector when the new developments come on stream as scheduled. Aside from location and accessibility, design and layout, other 'intangible' factors such as mall management viz. marketing and promotion, varied trade mix and good tenant retention play significant roles in the success and sustainability of a retail complex. Notwithstanding this, the prime retail property market is holding up well and this situation is expected to continue.

HOTEL SECTOR

Visitor arrivals to Sabah continued on an uptrend since 2010 despite the delayed completion of Kota Kinabalu International Airport. Hotel developments completed in 2011 mainly consisted of 2-star or boutique-type hotels. More hotel rooms of similar star rating / classification are expected for 2012.

Preliminary statistics from Sabah Tourism Board indicates that visitor arrivals to Sabah for the first three quarters of 2011 increased by some 14.5% year-on-year to 2.096 million arrivals. This follows an 11.5% increase between 2010 and 2009, indicative of a recovery and growth after a decline of -7.2% and -2.4% in 2008 and 2009, respectively. International arrivals have recovered steadily since the slowdown in the global economy and A(H1N1) threat that affected the world travel industry.

A check with relevant authorities indicate that average occupancy rate for a selection of 5-star resort hotels in and around Kota Kinabalu is in the region of around 60% although resorts with established brand names and global network are noted to enjoy occupancy of over 75%-80% and higher room rates.

Hotels completed in 2011 are predominantly those located in and around the city centre although small, budget/boutique hotels are gradually mushrooming in major suburban commercial centers to cater to domestic travelers.

Significant hotel completions include:

1. The Horizon Hotel, a city centre business hotel with 180 rooms,
2. The 97-room TD Plaza Hotel located within Wawasan Complex,
3. The 112-room Zara's Boutique Hotel @ Harbour City, Sembulan, under the management of Radius International Hotel and
4. Ming Garden Hotel & Residences, near Harbour City & KK Times Square, with 600 guest rooms, suites & service residence partially opened in 3Q 2011.

There are also hotel developments ongoing, and these are mainly small to medium-sized hotels situated in the city centre.

Kota Kinabalu

Major hotel or resort developments announced during the year are:

Hotels Announced in 2011

Name	Owner	Location	Description	Star Rating	Approx.No. of Rooms	Est. Comp Date
Four Points by Sheraton	Sabah Energy JV Gadingan Erajuta	Likas Bay	Part of mixed development	4	234	2014
Karambunai Resort City	Karambunai Corp	Karambunai	Part of ETP	ND	ND	ND
Pulau Gaya Resort	YTL Group	Pulau Gaya	Resort development	ND	120	2012

Karambunai Resort City, a massive integrated resort development in the vicinity of the existing 5-star Nexus Karambunai Resort. Other hotel projects include the resort development on Gaya Island off Kota Kinabalu by YTL Group and proposed Four Points by Sheraton as part of the 1Likas mixed development in Likas Bay.

For 2012, the sector may be affected by arrivals from long-haul markets like Europe due to the Eurozone crisis and the recent suspension of selected routes by Malaysia Airlines (MAS) to Kota Kinabalu from Osaka, Perth, Hanada and Seou. Nonetheless, the high tourism value accorded to Sabah's eco-treasures and biodiversity supported by government initiatives to position Sabah as a premier nature and adventure destination and completion of KKIA's runway extension to accommodate larger passenger capacity and increased flight frequencies should ensure that the tourism sector remain a significant revenue earner for the State in the long term.

Zara's Boutique Hotel

Kota Kinabalu

CONDOMINIUM SECTOR

The condominium market in Kota Kinabalu has attracted immense attention of late with the number of projects planned and launched and the benchmark record prices that come with these new launches. This most talked-about property sector also saw the completion of several condominiums in major suburban localities in 2011. In addition to increasing land costs and scarcer choice development lands, the hype on condominiums is also spurred by the favourable economic climate vis-à-vis earnings from good palm oil prices over the last few years.

2011 saw the completion of condominiums Alam Damai, Peak Vista and Hartamas Heights. Alam Damai, which had been launched at RM230-RM300 psf have reached RM400 psf and above in the secondary market.

A number of condominium projects totaling over 3,000 units are ongoing with those expected for completion in 2012 identified as Tiara Boutique Resort Condominiums, Puncak Luyang Phase 2 and Peak Vista 2 collectively comprising 254 units.

Another significant condominium development ongoing is 1Sulaman Platinum Tower, comprising 1,008 condominium units of the mid-range segment, which has been fully taken up since its launch in 2009. The completion of 1Sulaman Platinum Tower and Gold Tower together with neighboring 1Borneo Condominiums will see the locality along Jalan UMS housing the highest concentration of condominiums of the mid-range segment.

Major condominium developments launched in the CBD are The Loft at KK Times Square Phase 2 and Jesselton Residences. Developer selling price are considered new benchmark prices notwithstanding the modern design and façade and city centre location. Response is reported to be favourable with more than half of the units taken up, with interest predominantly for sea view units.

Overall, the rental market is quite stable especially for upper-range segment of condominiums where the market is limited. Having said that, asking rental rates for sought-after / prime developments are still increasing. Recently completed condominiums with sea view are noted to be asking about 10%-20% higher rentals than previous comparable leasings due to the premium accorded to sea view units.

Well-managed developments in choice locations with sea views should see steady appreciation of prices with premium assigned to sea view units arising from good demand and limited supply of such units in Kota Kinabalu.

There are more condominium projects proposed and in the planning stage, which could come on stream within the next 1-2 years. Sentiments are mixed, given the slowdown in major US and European economies, although overall mood is still cautiously positive given good commodity prices and pro-business policies of the government. Taking into account the active market in 2011, it is likely that prices should remain firm going into 2012.

Peak Vista Condominiums

Projects Launched in 2011

Name	Location	No. Units	Price Range (RM psf)	Est. Comp Date
The Loft @ The Mall	CBD	441	650 - 820	2014
Jesselton Residences	CBD	333	630 - 930	2015
Bay 21	Likas Bay	150	490 - 700	2014
Jade Residence	Fung Yee Ting	135	475 - 570	2014
The Peak SOHO	Likas Bay	96	374 - 840	2014
The Palm Condominium	Kinarut	128	220 - 280	2014

Kota Kinabalu

LANDED RESIDENTIAL SECTOR

The landed residential sector was less active compared to strata-based developments with the latter substantially outnumbering its landed counterpart. Due to limited new supply and hikes in land prices and building costs, prices of newly launched developments continued rising unabated from previous years. Older residential units in established neighbourhoods remained sought-after despite sellers' high asking prices.

To cushion escalating house prices, developers are also offering properties further from the city centre and with smaller plot/built-up areas. Landed homes at higher prices are beyond the range of most first-time home-buyers who instead would be looking at more affordably priced properties like apartments/mid-range condominiums.

Rental trends continue to be stable although yield expectations are softening in view of rising house prices.

Price rises of landed residential developments are expected to remain unabated in view of rising land and building costs and limited new supply as the bulk of new developments comprise strata-based developments. The sub-sales market will continue to be active with limited choices for new developments.

Landed Residential

Name	Location	Description	No. of Units	Price (RM)	Est Comp Date
Kubusak Perdana	Penampang	2-st terraced	24	438,000	2013
Kubusak Perdana	Penampang	2-st semi-detached	14		2013
Formosa 2B	Jalan Bundusan	2-st terraced	57	668,000	2013
Kensington Green Ph2B	Tuaran Bypass	2.5-st town villas	15	750,000	2013
Green Hill Park	Tuaran Bypass	2-st terraced	81	322,000	2013
Green Hill Park	Tuaran Bypass	3-st semi detached	14	863,000	2012
Nounton Juta	Inanam	2-st terraced and 3-st cnr	59	315,000	2012
Cerah Ph6	Tuaran Bypass	2-st terraced	38	418,000	2013
Cerah Ph7A	Tuaran Bypass	2-st terraced	24	423,092	2013
Sumundu by Prima	Penampang	2-st terraced	97	465,000	2014

INDUSTRIAL SECTOR

There have not been any notable new developments in the industrial sector in the last 1-2 years. the limited supply, coupled with good demand has seen industrial lands and properties enjoying price appreciation, especially in Inanam / Kolombong and Kota Kinabalu Industrial Park (KKIP), the two industrial mainland of Kota Kinabalu.

Current selling price for developed industrial lands (prepared site with infrastructure) in KKIP is about RM30-RM35 psf. Availability of appropriate industrial lands with integrated facilities and components is not only a scarcity but also virtually non-existent in other areas. Inanam Industrial Belt, has almost reached its full capacity and most of the lands in the locality having short leasehold terms. Currently, asking prices for vacant industrial lands in the area is about RM60-RM90 psf depending on relative location, size and shape of the land and land condition.

With Kota Kinabalu as the centre of distribution for Sabah, industrial lands and properties with good road access and proximity to the port is expected to command good values whilst demand for light industrial buildings such as warehouses would remain firm.

Sandakan

Residential developments launched/open for sale in 2011 are summarized as follows:-

Type	Project Name	Developer's Selling Price	Nos. of Unit	%
Apartment	Villa Permai Jaya Ph 5	RM148,888 - RM164,888	128	21.5
Double Storey Terraced House	Utama Park Villa Ph 4	RM413,800 onwards	67	69.8
	Taman Anggerik Perdana	RM264,100 - RM339,141	56	
	Taman Bukit Permai Ph 1B	RM248,888 onwards	78	
	Taman Seri Mawar Phs 1 to 3	RM315,000 - RM550,800	70	
	Taman Megah Jaya Ph 2B	RM268,800 - RM400,675	144	
Double Storey Semi-Detached House	Astana Heights Ph 2A*	RM548,888 onwards	52	8.7
Total			**595**	**100.0**

** Built Then Sell*

New shopoffice development in Sandakan is mainly located at the northern sector of town, along / off Jalan Utara, where most suburban commercial centres have been developed in the last two decades. One Avenue 9 within Bandar Utama (67 units) launched in 2011 is tagged at RM620,000 onwards at the Mile 6 locality whilst Mawar Commercial Phase 2 (22 units) has been fully sold at RM558,000 onwards. Both are of the 2-storey type. Bandar Megah Jaya (36 units 3SSO priced at RM788,000 to RM1,378,000, 97% sold; 10 units DSSD commercial showroom + 1 unit DSD commercial showroom priced at RM1,480,000 to RM2,2088,000, 64% sold).

Jalan Labuk, the continuation of Jalan Utara that eventually links to the Sandakan-Telupid-Kota Kinabalu trunk road can also expect to see more shopoffices coming its way in the next 1-2 years with the launching of Bandar Megah Jaya 3-storey shopoffice and semi-detached showrooms at the Mile 7 area as well as other proposed and ongoing developments in the Mile 8 Bandar Sibuga locality. This locality is within a 8 km radius of the 1,000 acre Sandakan Education Hub at Jalan Sungai Batang locality, where Universiti Malaysia Sabah's School of Sustainable Agriculture has been completed in 2011. Other institutes within the hub that are completed / nearing completion as at end-2011 are Maktab Rendah Sains Mara (MRSM) and Politeknik Sandakan. When completed and fully operational, the hub, is, hopefully expected to provide an added catchment and spillover to surrounding housing and commercial developments.

Other major ongoing development is Sandakan Palm Oil Industrial Cluster (POIC) at Seguntor, some 18km from the town centre, which is expected to be completed in 2012. It is managed and developed by a wholly owned subsidiary of Sawit Kinabalu Berhad Group. Another subsidiary of the group, Sawit Kinabalu will also reportedly build a logistics service centre and a centralised bulking installation therein to facilitate palm oil import and export.

2012 is also expected to see the completion and opening of Sandakan's Harbour Mall and Four Points Hotel, the final phase of Sandakan Harbour Square development project in the town centre. The 200,000 sq. ft. mall is anticipated to be one of Sandakan's landmark development having the first sizeable retail mall of modern design and concept integrated with a 300-room international hotel under Starwood Hotels & Resorts. The retail space in Harbour Mall will be retained and leased out, and anchored by Parkwell Departmental Store and Supermarket.

Main driver of the Sandakan property market, and indeed, of the whole Sabah property market is the palm oil sector. The continued bullish outlook for which – albeit with much unease over labour shortage and unharvested crop – augurs well for the general property market in the near term.

Tawau

The property market generally remained on a steady pace of growth with agriculture sector (oil palm lands) being the main thrust of growth area. The spillover effect from the robust oil palm industry led to demand outpacing supply of agricultural lands for oil palm planting. Prices of oil palm lands have increased by 20% to 50% over the same period in 2010.

The residential sector had seen a steady increase in prices throughout but prices for conventional commercial shophouses have significantly increased by 30% to 35% although rental yield remain stable.

Overall, the sentiment and performance for all property sectors were positive with buying interest in the residential sector was increasingly moving towards medium cost housing, which led to housing developers targeting their development strategies towards this subsector.

Prices of medium cost houses from newly launched projects, i.e single storey terraced houses were 15% to 20% higher compared to the previous year. These houses were priced at RM280,000 and above for projects located nearer to town but the prices of similar units were 20% to 30% lower for those located at the outskirts or secondary locations.

Commercial properties in town which comprise conventional shop-houses continue to fetch better prices at the prime locations of Fajar Commercial Centre and Bandar Sabindo. The decentralized commercial developments at prime residential localities had been well received, attracting very good response from investors. Prices for three storey and two storey shop-house units were prices at RM1,000,000 to RM1,300,000 and RM800,000 to RM850,000 respectively. There will be more similar projects to be launched in the coming year.

	Condominiums	Shopoffices	Agricultural Sector	Semi-detached
Location	Kuhara Court	Bandar Perdana Jaya	Tiger Hill	Taman Grace Hill
Floor Area	1,070 sq ft	1,211 sq ft		3,600 sq ft
Land Area			112 acres oil palm land	2,400 sq ft
Sale Price	RM310 to RM330 per sq ft	RM350 per sq ft	RM58,000 per acre	RM1,288,000
Location	Kuhara Court	Fajar		
Land / Floor Area	1,070 sq ft	2,422 sq ft		
Monthly Rental	RM1.30 to RM1.55 per sq ft	RM4.00 per sq ft		
Est Yield	5% to 6%			

Significant property market development in 2010:

- A McDonald fastfood Restaurant had leased a vacant piece of commercial land of 30,000 sq ft (WTW being the closing agent) for the setting up of its very first fastfood restaurant in Tawau. The drive-thru restaurant will commence operation by the second half of 2012.
- The LA Hotel commenced soft opening by February 2012. The newly built hotel comprises 108 guest rooms.

The residential sector performance in 2011 remained stable but significant. The continuing trend of development was leaning towards the launching to medium cost housing projects with houses priced below RM300,000 bracket.

The agriculture sector was by far the best performing sector in Tawau. The demand for oil palm lands have driven up oil palm land prices to an unprecedented level with the highest transacted price at RM53,000 to RM58,000 per acre. With the increased in demand for oil palm lands and the scarcity of vacant agricultural land available for new planting, the prices of agricultural land and oil palm land are expected to further trend up in the coming year.

The outlook for the property sector for 2011 in Tawau will remain stable driven by the oil palm industry. The oil palm industry will remain robust and interest in the buying of oil palm land continues to be considered a stable investment. The good performance in the

Tawau (Contd)

agricultural sector will have a positive spillover effect to residential and commercial sectors and more importantly to provide the pillar support for the other property sub-sectors. Residential development will continue to focus on medium cost residential units while for the commercial property sector, developers will continue to switch their attention to the development at the heavily populated suburban areas.

Residential Developments Launched / Open for Sale January to October 2011

Taman	Location	Developer's Selling Price (approx RM)	No. units (approx)
Terraced house			
BSI, Phase 5 (Single Storey Terraced)	Jalan Apas	From 200,000	80
Desa Ranggu (Single Storey Terraced)	Jalan Ranggu	From 185,000	95
Melinium (2-storey Terraced)	Jalan Eastern	320,000 and up	24
Subtotal			**199**
Semi-detached house			
Grace Hill (2 ½ Storey)	Jalan Sin On	1,288,000	24
Total			**223**

Lahad Datu

The property markets upward trend in 2010 continued into the first half 2011. The plantation sector enjoyed another good year in terms of revenue. Many companies have begun setting up their industrial complexes in POIC Lahad Datu. The industries are mainly palm related such as fertilizer plants and palm oil refineries. Petronas has also planned to set up a 300-MW gas powered electricity generation plant in POIC Lahad Datu Phase 3. All these had spurred the growth of Lahad Datu Town as more developers are being attracted to the Lahad Datu Property Market.

Residential properties in well-established and new growth locations continue to be sought after. Many residential projects continue to enjoy high demand either in new developments or the sub-sales market. The newly completed Highway (Jalan Silam) is also benefiting this area, attracting more purchasers. This can be seen from the projects in Bandar Sri Perdana.

Darvel Bay Plaza will be completed and with its occupation certificate issued in the second quarter of 2012. This would add 184,000 sq ft of retail space in Lahad Datu Town.

Growth of downstream activities has brought about the establishment of more commercial shophouses in Lahad Datu. During 2011, many commercial shophouses/offices developments have been launched, namely First Palm City, i-Peak Business Centre and Bandar Sri Perdana Phase 5.

Demand for industrial land are from the oil palm related industry and a few logistics companies serving the downstream palm oil industry have also acquired lands in the vicinity. To cater to the needs of the palm oil industry and its downstream activities, many property developers had taken the opportunity to develop light industrial properties, such as Lahad Datu Jaya and i-Peak@POIC. However, the sales rate is lower compared to residential properties.

Given the present good palm oil prices, the sentiment for the property market continues to be positive. However, once all the on-going projects are completed, Lahad Datu could experience a glut of commercial properties. The 2012 growth will also be affected by the world economic scenario in 2012.

F.T. Labuan

The island's current economic performance has been positive. Backed by strong support from the Federal Government, investor's confidence remains high and the property market is anticipating being stable and firm.

One local developer dominates housing developments on the island: the Lazenda Group. Most houses built by them were reported as fully sold out even before launching. Buoyed by the above, some developers have re-entered the housing scene.

The buyers are mainly investors planning to lease the houses to the professional oil and gas industrial personnel at monthly rentals in the range of RM3,500 to RM4,500 (for a fully furnished house). Prices for new double storey semi-detached houses are currently from RM550,000 onwards, while new double storey terraced houses are priced from RM350,000 onwards.

There have not been any new developments in the industrial sector for the last 2 years. With limited supply and good demand, industrial properties are enjoying good price appreciation, especially those located at Jalan Patau – Patau and Rancha-Rancha locality. Current transfer prices for vacant industrial lands with infrastructure are about RM30psf to RM35psf depending on location, size, shape and condition of land.

At prime areas such as Sagunking, warehouses with built-up areas of 6,000 sq ft are about RM900,000 to RM1,000,000 per lot. Asking prices from other industrial estates with smaller built-up areas and located further from the town centre are about RM700,000 to RM800,000.

The commercial sector remains active with several on-going constructions:

- Phase 1 of Labuan Times Square was completed and awaiting occupation certificate. The 3-phased development costing RM120 million, sited on a 7 acres site, comprises an 8-storey building with 75 shop lots, 48 office lots and condominiums. There will also be a 4-star hotel with 192 rooms and a car park with 132 bays.
- Hotel Aifa, a 3-star hotel with 130 rooms, located on the previous Labuan Lido Cinema site is in the final stages of completion.
- Lazenda Central comprising a 4-star 200 rooms hotel, 25 three-storey shophouses and a 9-storey shopping mall is under construction by The Lazenda Group.

Traditional shophouses of 2 and 3-storeys are also enjoying good price appreciation whilst ground floor retail lots at Financial Park Complex have been transferred at about RM1,000 psf.

Kuching

According to the SCORE masterplan, the Sarawak Corridor should see investments amounting to RM334 billion from now until 2030. As at August 2011, RM28.55 billion worth of investments have been confirmed through 14 mega projects. This will accelerate the state government's industrialization plans, thereby creating job opportunities and boosting the state economy.

Sarawak has attracted the most proposed capital-investment in the country for the 1st 10 months of 2011 valued at RM7.3billion of which 43% came from Foreign Direct Investments (FDI).

Kuching's property market can be said to be vibrant and opportunities abound for property investors to "ride the current property wave".

OFFICE SECTOR

The purpose-built office sector in Kuching remains conservative. A few purpose built offices were constructed in 2011 but these were state-owned and to be occupied by government agencies e.g. the new IRD HQ at Jln Tabuan, Sarawak Energy Berhad at the Isthmus and the new Customs Building at Masja in Petra Jaya.

The purpose-built office sector has remained stable over the years, with minimal additions of about 1 to 2 buildings every 2 to 3 years. 2011 will see the addition of another 861,000 sq ft of office space mostly by government agencies to the existing 2010 supply of 4.395 million sq ft. *(Source : Various NAPIC Reports)* The occupancy rate for office space currently stands at slightly over 90% and any decrease over the past 2 years have been minimal. The high and consistent occupancy is due to the State government's stringent control on construction of such buildings and the government's assistance in filling up these private buildings with their agencies.

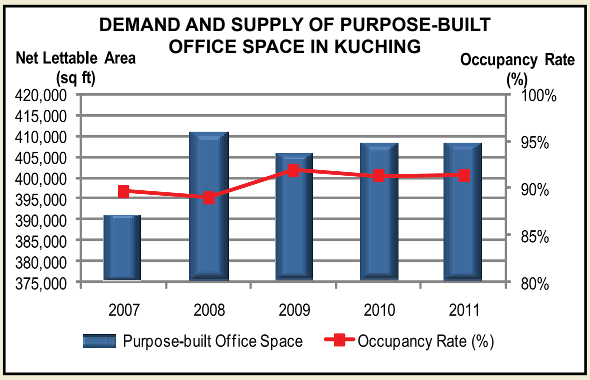
Plans for a new 36-storey office tower in Batu Lintang was unveiled which is set to change Kuching's skyline as possibly the tallest building, over-taking the 22-storey Wisma Bapa Malaysia in Petra Jaya. Sited on a 33.6 acres site, there will be other project components: 2 condominium blocks, a second office tower, a hotel tower and a shopping mall. With the lacklustre office sector, the condominium blocks will be built first while the commercial components will be built in phases over the proposed project timeline of 20 years.

A couple of office buildings have been converted into hotels to capture the increase in tourist numbers e.g. Abell Hotel occupying KKB Building and Lime Tree Hotel occupying the former Kuching Tower building, both located along Jalan Abell.

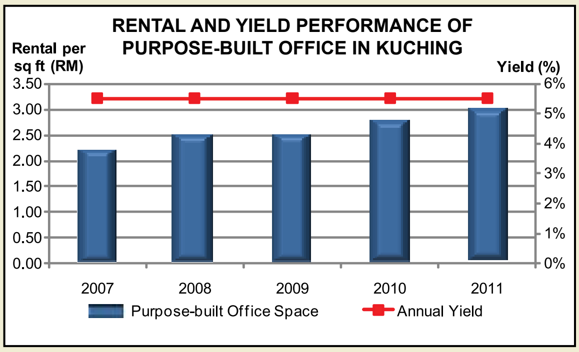
Generally, the office rents and yields have remained more or less the same for the past years. Office rents remain low at between RM2.50 psf to RM3.00 psf and gross yields for purpose built offices in Kuching have been hovering around 5% per annum for prime areas and even lower, in some secondary locations. 2011 was no exception, with office rates stagnant at RM2.50 psf to RM3.00 psf and yields around 5.5% gross per annum at most. The new office buildings are government-owned and occupied so no new rental rates have been recorded.

However, office values have gone up relative to rentals due to increase in property prices as a whole as a result of increase in cost of lands and construction materials. There were no purpose built office transactions recorded for 2011.

Office rents are likely to be maintained for 2012. Increases, if any, would be minimal and more likely to apply to newer office buildings in prime areas. The same applies to office values. The office supply will continue to be stable for 2012 and no large overhang due to state government planning controls.



Source : WTW Research, 2011



Source : WTW Research, 2011

SARAWAK

Kuching

RETAIL SECTOR

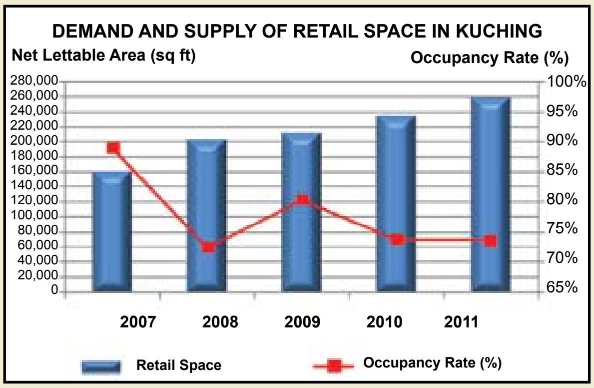
2011 saw a slew of new retail projects coming into the market especially in the sub-urban residential areas. The retail sector was upbeat for 2011 especially for mid-market malls like Boulevard.

One Jaya, a 4-storey neighbourhood mall opened at the popular Jalan Song Commercial Centre in Q1 2011 offering 230 small specialty shops. Response has been encouraging with full occupancy by Q3 2011. Another smaller retail building cum carpark was opened at 7th Mile Jln Kuching-Serian road in 3Q 2011 with Unaco as the anchor tenant. Giant Hypermarket at Tabuan was opened in August 2011 with another Giant at 10th Mile Bazaar opened in October 2011. There are a considerable number of local new entry tenants as well as business expansion from other existing malls setting up multiple stores.

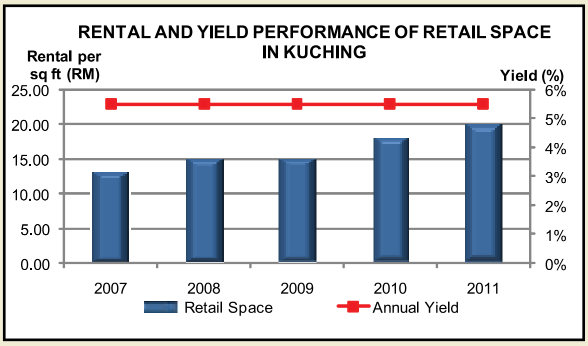
There are a few big malls currently under construction, scheduled for completion and opening by 2012 such as City One, Plaza Merdeka, ST3 and Kuching Sentral.

Retail rents have gone up quite a bit for 2011 (>10%) with new malls commanding rentals as high as RM20.00 psf. Most of the tenants are already secured during the pre-opening period and thus, most units are already pre-let. Retail values have also reached an all-time high of RM2,400 psf due to scarcity and high price of development lands. Thus, the increase in rental rates is offset by an even higher increase in values which has kept the yield modest at around 5% only. There were no major retail complex transactions for 2011 as most of the larger retail units are leased out to anchor tenants at below market rate.

The retail sector supply is expected to pick up further with the addition of new sizeable malls by 2012 and there is increasing pressure for older complexes to renovate or innovate to keep up with the joneses. The performance of these retail malls, however, remains to be seen as competition increases. Tenancy renewals at some shopping malls have seen tenants opting out, leaving new vacant spaces for rent.



Source : WTW Research, 2011



Source : WTW Research, 2011

Giant @ 10th Mile opened in October, 2011

One Jaya, Kuching (left) next to Jalan Song Commercial Centre

SARAWAK

Kuching

HOTEL SECTOR

The increasing tourists for 2010 and 2011 and the positive outlook on the tourism sector have sparked a growing interest from owner-operators for hotel especially smaller budget-style hotels to capture the tourism market. This can be seen by the addition of hotels since 2008, starting with 4-Point Sheraton in 2008, 5-star Pullman Hotel in 2009 and 3-star Abell Hotel in 2011.

There were also a few boutique hotels which opened (namely, Basaga Holiday Residences and Lime Tree Hotel in 2009 and Batik Boutique and Dorset Boutique Hotel in 2010) and budget hotels like Tune Hotels Waterfront Kuching and 360 Xpress City Center in 2009. The 360 Hotel at Hock Lee Centre was also refurbished with another 178 hotel rooms and renamed 360 Urban Resort Hotel.

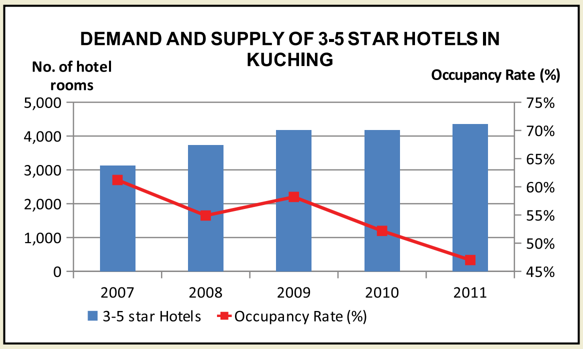
With the latest offerings, at least another 1,600 rooms have been added to the Kuching hotel sector including some budget inns and B & Bs housed in shophouses.

The occupancy rate of hotels for Kuching was recorded at an average of only 43.3% (Source: NAPiC 2010) in 2010. However, this sector seems to be picking up in 2011 with the highest number of visitors recorded year on year for 2011. 3 to 5 star-rated hotels also tend to fare better with occupancy rates between 60% and 65%. The target of 3.2 million tourists for 2011 is expected to push up occupancy rates.

The various types of accommodations in Kuching have allowed visitors and tourists much flexibility of accommodation choice according to their budget, ranging from RM30 to RM250 per room night for a standard room. Hotel room rates for the star rated hotels in Kuching remain relatively low and affordable, averaging RM160 for 3-star, RM200 for 4-star and RM230 for 5-star. Due to the fluctuating occupancies and constant need for refurbishment and high cost of maintenance, yields are capped at about 8% to justify any hotel development in Kuching.

With the State government's efforts to pump up tourism, and the global trend towards increasing travel, both domestic and abroad, the hotel industry in Kuching looks good for those willing to reinvent themselves.

The new Abell Hotel at Jalan Tunku Abdul Rahman in Kuching



Source : WTW Research, 2011

No	Supply of Hotels in Kuching	Star Rating	Location	Room Rate	No. Of Rooms	No. of Storey	Year of completion
1	4 Points by Sheraton	4	Suburbs	RM209-RM302	435	12	2008
2	Basaga Holiday Residences	1	City	RM150-RM336	34	2	2009
3	Pullman Kuching	5	City	From RM320	389	23	2009
4	Tune Hotels.com Waterfront Kuching	Budget	City	From RM9.99	135	3	2009
5	The LimeTree Hotel	3	City	RM160-RM390	50	5	2009
6	360 Xpress Citycenter	Budget	City	RM50-RM131	178	2	2009
7	Batik Boutique Hotel	Boutique	City	RM250	15	4	2010
8	Dorset Boutique Hotel Kuching	Boutique	City	RM162-RM174	48	4	2010
9	Abell Hotel	3	City	From RM98	80	5	2011
10	360 Urban Resort Hotel (expansion)	4	City	RM150-RM350	178	18	2011
11	De Palma Waterfront	2	City	From RM100	89	4	2011
12	Zotel	NA	Suburbs	RM78.90	80	2	2011

Source : WTWY Research (2011)

Kuching

CONDOMINIUM SECTOR

The high rise condominium sector which has slowed down since the mid 2000's due to slow take up rate and poor management issues had prompted developers to shift to 3 or 4-storey walk up apartments in recent years. However, the tide seems to be turning by the end of 2011 with the launch of several highly anticipated condominium projects which could very well mark the rejuvenation of high-rise condominium projects.

Condominium projects which were launched in the last 2 years were, namely the Riverine Sapphire Condominium by RB Development Sdn Bhd, the Arcadia and the Ryegates by M/s Lee Onn and the Tropics by Regal Advantage. Most of these projects are low-rise and low-density but having all the trappings of condominium living like swimming pool, gym, park, lift etc. They are also located near popular suburban housing areas in South East Kuching.

Riverine Sapphire, a continuing phase from the existing Riverine Emerald Condominium, offers 168 condominium units in a 22-storey high tower. The prices range from RM158,730 for a studio unit to RM3,600,000 for the penthouse suite. Sales rates have been encouraging with good sales especially for the 2-bedroom units.

The Arcadia, a 4-storey condominium with 64 units housed in 2 blocks, was completed in 2010 in Stampin Timur, a good housing area whilst The Ryegates, comprising three 4-storey blocks offering 73 units, was completed in Q3 2011. A final phase of The Ryegates offering another 20 units is being built at the moment. Located opposite the Kuching International Airport but close to the up and coming residential area of Stampin Tengah, the prices commanded for The Ryegates units ranged from RM300,000 to RM900,000 per unit.

The Tropics offer 160 condominium units in 5 blocks of 4 and 4½ storey buildings with prices ranging from about RM450,000 to about RM900,000 and is located in the popular new Jalan Song area.

Apart from condominiums, there are also walk-up apartment projects catering to the medium and lower medium income group e.g. Stacks 128 also by the same developer , M/s Lee Onn at Jalan Tun Jugah and Hills 68 at Jalan Arang.

The next 2 years shall see the emergence of several high-rise condominium projects which are already up for sale and lease e.g. the ST3 (with a retail podium) opposite The Spring, Tribeca Condominium & Suites at Jalan Urat Mata, d'Infinia Residences at Jln Airport and VivaCity at Jalan Wan Alwi (next to Tabuan Jaya). However, the niche for low-rise apartments continue to expand with several projects helmed by subsidiaries of M/s Lee Onn, being developed in outer suburban areas of Jalan Batu Kawa-Matang, such as the Apartment @ Genesis Walk and Ensyn Avenue Apartments.

The Ryegates, Kuching

As the city becomes gradually built up with development land prices reaching an all-time high of up to RM70 psf, condominiums and apartments are becoming more popular both for the developer (because of the economies of scale of higher density development) and for the buyer (as a more affordable housing alternative). It is anticipated that the condominium/ apartment sector will be increasingly popular in the coming years as more young 1st time house buyers seek out these units in keeping up with modern living.

LANDED RESIDENTIAL SECTOR

The first half of 2011 has been an interesting period for the Kuching residential market. There was a marked increase in units under construction following a jump in property launches at the end of 2010.

Demand for residential properties in prime locations remains high, with some areas such as Tabuan, BOC 3rd Mile and Jalan Song areas being consistently sought after. Prices in these locations are also on the increase, with standard double-storey intermediate terraced houses now commanding prices between RM300,000 to RM400,000.

For the year 2011, the number of launches were rather slow in 1H 2011 but picked up in 2H2011. Towards the end of 2011, a few large projects were launched, including the new township in Matang called Metro City by established local developer, M/s Chong Kia Hoi Sdn Bhd. Most units launched were double-storey terraced houses followed by double-storey semi-detached houses. Single-storey houses were mostly launched in secondary locations.

Most of the new residential projects were launched in locations further away from the city centre, in areas like Jln Muara Tuang, Jln Kuching Serian, Batu Kawa and Matang respectively. Even so, response to these property launches were very encouraging with properties being snapped up within a couple of months. Except for a few like Merlin Garden and Taman Sentoria in Jalan Muara Tuang, most of the residential launches were piece-meal of not more than 50 units by small and first time developers.

Landed residential rents have not increased in tandem with increase in values. Thus, whilst residential property prices have increased 10% to 20% across the board, rentals have remained stagnant at about 3%. This is partly due to an inactive rental market in the absence of a vibrant expatriate work community as compared to other major cities such as KK, Penang and KL.

Although response to property launches has been encouraging, there is fear that the market is highly speculative. Due to the continuing uncertainty in the global and national economy, buyers and investors have grown more cautious.

Costs of building materials and labour will continue to be major challenges for the industry. With recent price hikes in property prices especially in the primary areas, there is a tendency for developers to build to take advantage of the current high pricing whilst purchasers are rushed into buying in case they miss the band wagon.

INDUSTRIAL SECTOR

The industrial property sector is still regarded as the most inactive compared to the other sectors. Even with SCORE coming in, the industries are expected to be concentrated more in the central region of Sarawak, benefiting towns such as Bintulu, Mukah, Kapit and MIri. The Samajaya Free Industrial Zone and the Demak Laut Industrial Park in Kuching mooted by the government in the last 2 decades have yet to be fully occupied.

The 1st half of 2011 saw the launch of The Sarawak Factory Wholesale Centre comprising 420 units of terraced and semi-detached factory units mixed with some shophouse units by Jung Kuo Sdn Bhd at Jalan Bako. This is by far the largest launch of any private industrial estate in Kuching in the last 5 years after SMI Industrial Park was launched in 2006. The supply of ready-built industrial units in Kuching is piece-meal and largely controlled by the State government. Most of the industrial units in Kuching, like the rest of the major towns in Sarawak, are industrial plots which are either sold or rented to small scale light industries like car workshops, furniture assembly etc.

The price of industrial lots in Kuching is around RM35 to RM40 psf and rent yields for industrial lots in Kuching hovers around 5% to 6%.

The industrial sector for Kuching remains conservative but stable, with private developers going more for main stream properties like residential and commercial. Heavy and light industrial activities are confined to certain designated zones. Most industrial units in Kuching are small stand-alone piece-meal factory units and family owned.

SIGNIFICANT TRANSACTIONS IN 2011

Existing Building

Name	Description	Vendor	Purchaser	Date of Purchase	Price per sq ft	Transaction Price
Kuching						
Menara MAA	Office	Mithril / MAA	Episo Realty Development	Q4 2010	RM171	RM19 million

Oil Palm Estate Land

Location	Description	Date of Purchase	Transaction Price	Price pha
Miri				
Lot 2, Miri-Bintulu Coastal Road	900 ha	Q1 2011	RM55.0 million	RM61,100
Lot 9, Miri-Bintulu Coastal Road	69 ha	Q1 2011	RM4.2 million	RM60,900
Lot 14, Miri-Bintulu Coastal Road	3,895 ha	Q1 2011	RM50.8 million	RM13,000
Mukah				
Lot 100, Balingian, Mukah	2,064 ha	Q1 2011	RM47.2 million	RM22,900
Dalat				
Lot 3, Ulu Oya, Dalat	510 ha	Q1 2011	RM5.13 million	RM10,000

Miri

In Miri, it is anticipated that development of high density apartments/condominium projects will increase whilst large-scale housing projects decrease. The Bay Resort Condominium and Grace Heights apartments are now well under construction. The recently launched Homelite Eco Park Condominium will begin its construction in Q12012 and envisaged to be completed in 2 years time.

The retail sector in Miri will experience a boost with the completion and opening of several new malls. Permy Mall at Bandar Baru Permyjaya has opened its doors to the public on 11th November 2011, adding 269,000 sq ft to the Miri retail market with Giant Hypermarket as its anchor tenant occupying over 65,000 sq ft. MYY Mall at Lutong and the 7-storey Imperial City Mall at Jalan Asmara/Merpati (to be linked to the present Imperial Mall by a bridge) are currently under construction and due to be completed by 2012.

The Marina Park project is catching up on its construction as well as sales, in particular the commercial units which have all been sold. The 1st phase included two 7-storey blocks, eight 4-storey blocks and 130 units of 3-storey shophouses. Phase II consisting of 140 units of shophouse wil be launched in 2012 following good response to the 1st phase and more sales are expected from this mixed development in the coming year. Phase 8 of the Senadin Commercial Centre consisting of 248 units of 2 and 3-storey shophouses started construction this year. This commercial project is part of an 80-acre major project by Miri Housing Development Realty Sdn. Bhd. which incorporates a water theme park, shopping complex, cultural village, amphitheatre, hotel and a proposed man-made island. The project will be developed in three stages, due to be completed in three years.

The Eastwood Industrial Estate and Senadin Park Enterprise are currently the on-going industrial projects in Miri. It is expected that the industrial sector will continue to remain stable next year.

For 2011, Miri witnessed the start in construction of several major infrastructure projects aimed at alleviating traffic jams resulting from the growth of housing development in the areas of Bandar Baru Permyjaya, Taman Jelita (Taman Tunku Phase II) and their surrounding areas. The major infrastructure projects are:-

1. Conversion of Pujut 7 roundabout to a traffic light at the Pujut-Tudan-Kuala Baram road interchange project;
2. Expansion of the bridge link to Bandar Baru Permyjaya with a new 150-metre parallel bridge;
3. A 146-metre bridge linking Jalan Piasau and Jalan Pantai-Peninsula (Diasau Camp), constructed alongside the existing bridge;
4. Upgrading of the 3.2 km Pujut 7-Tudan road into a dual carriageway; and
5. Construction of a 5-km access road fringing the runway of Miri Airport, linking Taman Jelita to Miri-Bintulu Road.

Prices and sale which have been on the steady rise, especially for the housing market, will continue to improve with time, with the number of buyers increasing, aided by government stimulus. The prices of houses shall remain competitive next year and climb up further due to rising costs of construction materials, land and labour.

MYY Mall at Lutong

New commercial project after Pujut 7 bridge

Sibu

The year saw a significant improvement in the retail and commercial sector with developments being launched in suburban areas. In mid 2011, the completion and opening of two large shopping complexes in Sibu, namely Star Mega Mall and Giant, have increased the potential of the surrounding developments. These two shopping complexes have added about 242,000 sq ft and 152,000 sq ft of retail space respectively to the market with an encouraging occupancy rate exceeding 90%.

The is a new bustle at the on-going Medan Jaya Commercial Centre as almost all the newly completed shophouses have been occupied for business activities, increasing investor confidence towards this project.

Generally, the launch price for new 3-storey intermediate shophouse in the suburban areas of Sibu is over RM800,000 per unit.

Demand for residential properties is expected to be optimistic with continuous interest in the prime and secondary areas, especially with limited lands available for development near the town centre. The new and ongoing developing residential areas in Sibu are located at Jalan Salim, Jalan Ulu Sungai Merah, Jalan Teku and Jalan Oya areas. Just as in Kuching and Miri, Sibu's launching prices of landed residential houses have been increasing.

The industrial sector is still regarded as the most inactive property sector compared to other sectors, although piecemeal private industrial projects are still on-going. The opening of Tanjung Manis Highway has shortened the distance and traveling time between Tanjung Manis industrial area and the surrounding towns. The industrial centre is expected to get a boost from SCORE for downstream projects.

Star Mega Mall

Bintulu

The housing sector in Bintulu continued to experience active housing construction activity in 2011, including increased low cost housing, in view of the government's objective to achieve zero squatters. Double-storey terrace houses and double-storey semi-detached houses remain the most favourable and saleable products in the market. The average price for these properties have increased from RM388,000 to RM400,000 for double-storey intermediate terraced house; from RM 403,000 to 573,000 for double-storey corner terraced house; and from RM488,000 to RM730,000 for double-storey semi-detached house. Most of the properties are located along Jalan Tun Hussein Onn and Jalan Sibiyu.

Bintulu is also set to experience a boost to its retail sector with the building of a few new shopping malls expected to be completed in 2012 or 2013, such as Times Square Mall at Jalan Tun Hussein Onn and Commerce Square at Jalan Ahmad Zaidi. Currently, there are only 3 retail malls in Bintulu, i.e. Li Hua Plaza, Parkcity Mall and City Point. Times Square Mall which is sited within Beverly Hill Estate, near the dense residential areas along Jalan Tun Hussein Onn, will be the 1st shopping mall to be located at the suburban/outskirt area when it is completed by 2013.

In Bintulu, most of the shophouses are located outside the existing commercial core to the Parkcity and suburban areas due to the limited land available for commercial development at the existing town center area. Most of the recent launches in Bintulu are 3-storey terraced shophouses which are transacted between RM888,000 to RM1,030,000. Like the residential sector, the commercial sector is also experiencing increase in pricing.

Currently, the only on-going industrial project in Bintulu is located along Jalan Tun Hussein Onn, comprising 87 units of double-storey semi-detached industrial building on Lot 7522 Block 32 Kemena Land District developed by Hong-Yet Development Sdn. Bhd. It is anticipated that the industrial sector will continue to remain stable for next year.

Property prices will continue to hold or even increase as evidenced by the upward revision of selling prices of the existing launches by property developers. On a long-term view, an increasing demand for houses is expected due to several major ongoing projects associated with SCORE, which will boost the development of Bintulu in the near future. They include, among others, the Similajau Aluminium Smelter Plant, Borneo Paper & Pulp Mill and opening of larger scale oil palm plantations.

Review of Malaysian REITs 2010/2011

2011 ended with the listing of Pavilion REIT on December 7, 2011, bringing the number of listed M-REITs to 14 and pushing total market capitalization from RM10.8 billion to RM14.2 billion.

Pavilion REIT with total assets of RM3.6 billion will rank second to Sunway REIT with total assets of RM4.3 billion. With the Pavilion KL Mall appraised at RM3.4 billion, Pavilion REIT has the largest exposure to the Malaysian retail sector of any MReit.

In 2010, two new REITs had been launched in 2010, Sunway Reit (SunReit) was offered for sale in February 2010 while Capita Malls Malaysia Trust (CMMT) was offered for sale in June 2010.

SunReit's initial property portfolio comprised 3 shopping malls, 3 hotels and 2 office buildings. The most valuable asset of the SunReit is Sunway Pyramid Shopping Mall in Bandar Sunway valued at RM2.3 billion. Four of the assets including Sunway Pyramid are in Bandar Sunway which has proven its growth potential as a landmark tourist destination.

A month after listing, SunReit acquired Putra Place, Kuala Lumpur to increase its total assets by RM500 million, the purchase consideration for the acquisition.

CMMT is a pure retail play comprising three landmark retail properties: Gurney Plaza in Penang and Sungei Wang Plaza and The Mines Shopping Fair in the Klang Valley. In March 2011, CMMT increased its property portfolio when it exercised its option to acquire the Gurney Plaza Extension at a cost of RM215 million. In June 2011, CMMT added the East Coast Mall, Kuantan to its portfolio, valued at RM310 million.

REIT Acquisitions and Disposals

In 2011, there were 9 acquisition exercises by M-Reits, as compared to 7 in 2010. In 2010, 2 Reits also completed relatively small disposals. The total value of the acquisitions were RM1.4 billion in 2010 and RM1.75 billion in 2011 while the two disposals amounted to RM15.18 million.

Reit Acquisitions

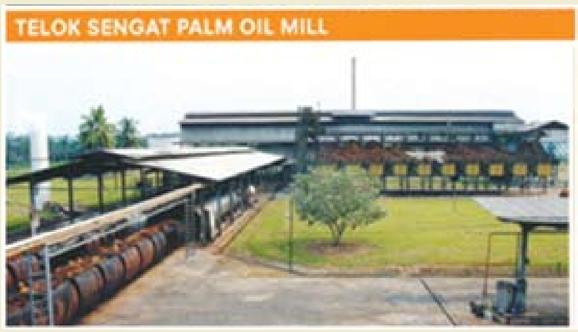
Date	Vendor	Buyer	Type	Description	Price (RM'mil)
2/9/2010	SYF Trading SDN BHD	AMFReit	Retail	Unit S2.140B, Summit Subang USJ	6.800
22/9/2010	Jeta Gardens Waterford Trust	Al'Aqar	Health	Jeta Gardens Aged Care & Retirement Village, QSL Australia	134.910
14/12/2010	YTL Group	StarReit	Hotel	9 Hotels in Malaysia	1,054.000
30/12/2010	FSBM Holdings Bhd	AxisReit	Office	FSBM Plaza, Cyberjaya	51.250
9/3/2010	KPJ Healthcare Bhd	Al'Aqar	Health	BB Klang Sp Hospital	85.000
				Kluang Utama Sp Hospital	3.500
				RS Bumi Serpong Damai Jarkarta	50.270
9/3/2010	Johor Corporation	Al'Aqar	Health & Resort	RS Medika Permata Hijau, Jarkarta	21.140
16/3/2011	Gurney Plaza SDN BHD	CMMT	Retail	Gurney Plaza extension	215.000
31/3/2011	Public Auction	SunwayReit	Mixed Commercial	Putra Place, Kuala Lumpur	513.945
20/4/2011	Zone Capacity SDN BHD	AxisReit	Industrial	Plot D8,Distripark A, Pelepas FZ Warehouse	30.000
29/4/2011	Boustead Group	ABReit	Plantation	Sutera Estate & Taiping Rubber Plantation	189.233
10/6/2011	Complete Event SDN BHD	AMFReit	Office	Prima 9 & 10, Cyberjaya	133.000
14/6/2011	Astral Realty SDN BHD	CMMT	Retail	East Coast Mall, Kuantan	310.000
22/7/2011	ND	AtriumReit	Industrial	Warehouse building in Damansara, Selangor	25.000
28/9/2011	Apex Properties	AxisReit	Industrial	Bkt Tengah Ind Park, Penang	59.000
24/10/2011	DHL Properties (M) Sdn Bhd	AxisReit	Industrial	Logistics Warehouse Comlex, Bayan Lepas Ind Park, Pg	48.500
8/12/2011	Sri Awona Sdn Bhd	HektarReit	Retail	Landmark Central & Central Square Shopping Centres	181.000
24/10/2011	DHL Properties (M) Sdn Bhd	AxisReit	Industrial	Log W'house Complex, Bayan Lepas Ind Park, Pg	48.500
				TOTAL ACQUISITIONS	**3,160.050**
				TOTAL ACQUISITIONS 2010	**1,406.873**
				TOTAL ACQUISITIONS 2011	**1,753.183**

**As announced in Bursa Saham Malaysia*

Reit Disposals

Date	Vendor	Buyer	Type	Description	Price (RM'mil)
20/12/2010	UOAReit	2 individuals	Office	Suite 15-15, Wisma UOA II, KL	0.682
17/1/2011	AxisReit	Freight Management (M)	Industrial	Axis North Port LC1 Industrial Building	14.500
				TOTAL DISPOSALS	**15.182**

Review of Malaysian REITs 2010/2011



Al-Hadharah REITs the only Islamic plantation REIT in the world (IPO valuation by WTW).

Trends in REIT Growth

As at December 2011, total assets of REITS based on the latest published financial data was RM20.2 billion.

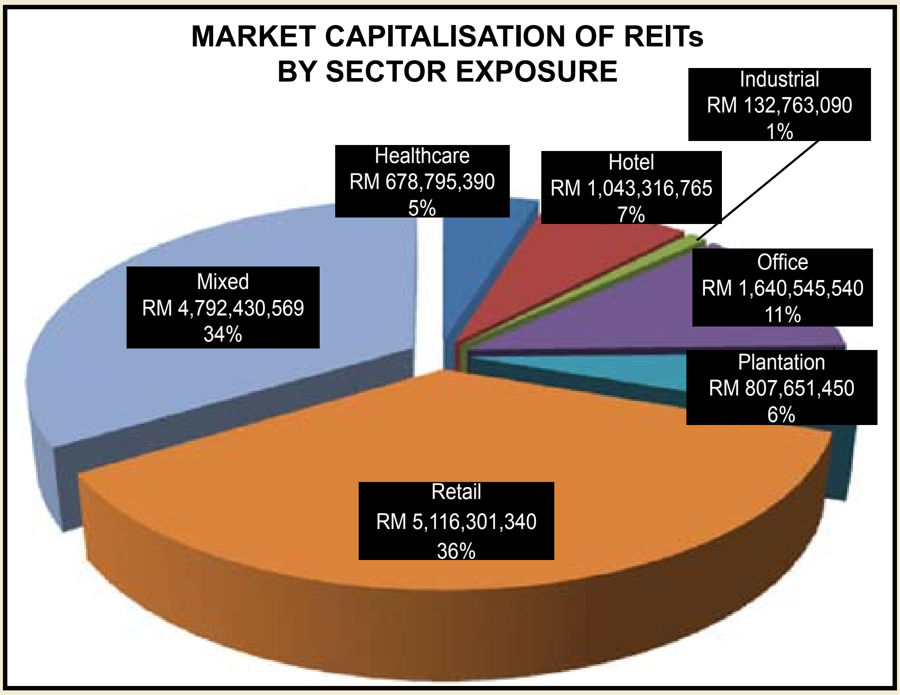
While Total Assets grew 29% in 2010, Total Borrowings increased 16%, resulting in a decrease in the overall gearing ratio from 31.6% to 28.4%. Total Net Income after tax for the Reits increased from RM520 million in 2010 to RM750 million in 2011, an increase of 56% due to the inclusion of CMMT and Sunway Reit. Correspondingly, Net Income Distribution in 2011 increased 46%.

M-Reits continue to be in its growth phase since its re-introduction in 2005. As a result, total assets, earnings and income distribution of Reits have recorded double digit growth annually.

RM '000	2011	2010	2009	Change over 2010
Total Assets	20,214,310	15,687,111	9,112,414	29%
Total Borrowing	5,747,583	4,952,003	2,599,915	16%
Net Asset Value	13,552,728	10,241,162	6,137,671	32%
Net Income after tax*	750,050	519,900	439,852	56%
Net Income Distribution*	703,532	435,134	416,353	46%
Gearing Ratio	28.4%	31.6%	28.5%	

Note: * Excludes Pavilion REIT in 2011

	2011	2010	2009	Change: 2011 / 2010
Units in Circulation ('000)	12,385,018	9,182,673	4,780,274	35%
Market Capitalisation (RM '000)	14,529,521	10,833,806	5,213,825	31%
PE Ratio	12.9	14.9	10.4	
Dividend Yield	7.3%	7.5%	8.5%	
12-M FD Rate	3.2%	2.85%	2.50%	
MGS 10-Yr Rate	3.90%	4.00%	4.29%	
EPF Dividend Rate	5.80%	5.80%	4.50%	



REITS

Review of Malaysian REITs 2010/2011

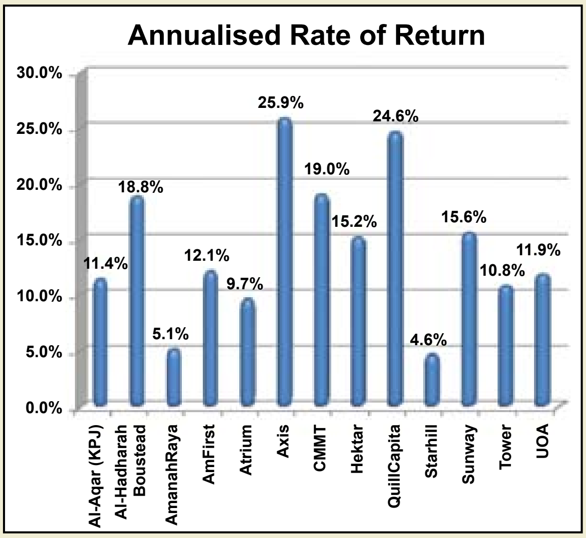
Quill 9 (IPO valuation by WTW)

Market Performance

Total units in circulation increased 35% from 9.1 billion to 12.4 billion in 2011 while market capitalization rose from RM10.8 billion to RM14.5 billion. The overall P/E Ratio of Reits decreased from 14.9 to 12.9, reflecting the bearish outlook and cautious expectations of Bursa Malaysia investors in 2011.

As Reit prices improved, dividend yields naturally declined from 7.5% to 7.3%. However, Reit yields still remained far superior to other benchmark yields, namely the 12-month FD rate, the 10-year Malaysian Government Securities (MGS) rate and the EPF Dividend rate. MReits average returns of 7.3% was also higher than the average 6.3% returns of Asia-Pacific Property Trusts (The Star, July 13, 2011).

The annualized rate of return of individual REITS inclusive of capital appreciation as at December 2011 was analysed as follows:



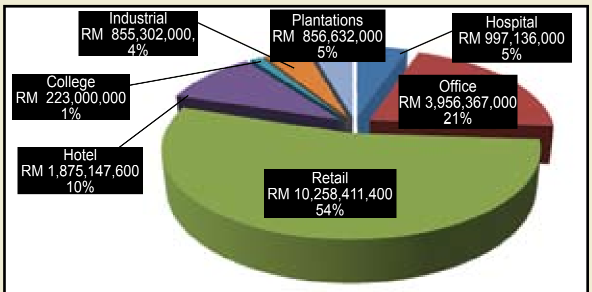
Portfolio Analysis

Overall, M-Reits Property Investments reflected an inclination for retail assets (54%), followed by office properties (21%) and hotels (10%). 5% - 6% each of overall assets were in hospital, industrial and plantation properties while 1% represented investments in educational/college assets. This portfolio snapshot is prior to the restructure of StarReit after which overall exposure to the hotel sector could increase significantly.

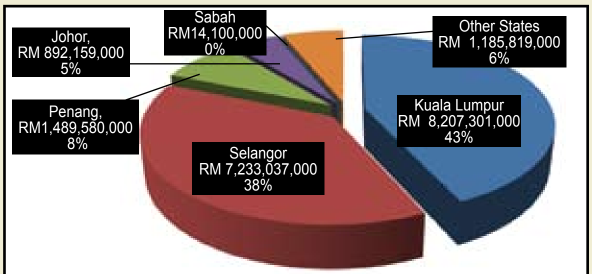
However, individual Reits sector exposures ranged from 100% (for pure sector plays) to as low as 2% for the education sector.

In terms of location, the preferred location remains the Klang Valley (81%), followed by Penang (8%) and Johore (5%).

Five Reits are focused exclusively in the Klang Valley (AMFirst, ARReit, Atrium Reit, StarReit, Tower and UOAReit) while Axis Reit, CMMT, QCT and SunReit all have more than 50% of their portfolio located in the Klang Valley.



REIT PORTFOLIO ANALYSIS BY TYPE OF PROPERTIES



GEOGRAPHIC DISTRIBUTION OF REIT ASSETS

Review of Malaysian REITs 2010/2011

Portfolio Analysis (%)	Overall	Al-Aqar	AM First	ARReit	Atrium Reit	Axis Reit	AB Reit	CMMT	Hektar Reit	QCT	Star Reit	Tower	UOA Reit	Sunway Reit
By Type														
Hospital	6%	90%												
Office	28%		62%	32%		47%				85%		100%	100%	20%
Retail	43%		26%	14%		11%		100%	100%	15%	45%			61%
Hotel	10%	8%	12%	10%							55%			19%
College	1%	2%												
Industrial	6%			22%	100%	42%								
Plantations	6%						100%							
	100%													
By Region														
Kuala Lumpur	30%	16%	54%	15%				35%		28%	100%	100%	100%	16%
Selangor	47%	27%	46%	73%	100%	81%		25%	46%	57%				75%
Penang	10%	5%				2%	12%	40%		15%				7%
Johor	6%	22%				13%	43%		16%					
Sabah	0.1%	1%												
Others	8%	29%		13%		3%	44%		38%					
	100%													

Market Outlook

Based on the general outlook of an over-supply of office space in the Klang Valley in the next few years, a cautious approach to increased investments in "pure play" office Reits is advisable. Although capital values and occupancy levels are sustainable due to extensive sale and leaseback arrangements, office yields could decline as key tenants negotiate lower rentals upon renewals.

Profit margins could be squeezed from both ends (income and costs) since Reits' borrowings costs are maintained at current levels as almost all MReits have been servicing only the interest components of their loans; there is no or minimal repayment, partially or otherwise of the loan.

However, MReit investors have a wide choice of investment alternatives namely, the retail, healthcare, plantations and hospitality sectors as well as diversified property portfolios.

To-date Reit assets growth have been primarily due to the injection of new and additional assets and it will be interesting to observe the abilities of the Reit Property Managers to achieve increases in asset values through property improvements, market re-positioning and yield accretions which was the main reason why investors had been drawn to MReits.

Our concerns for the Reit investor for the near term are: trends in the decline in the payout ratio and falling dividend yield.

REIT INVESTMENT SNAPSHOT

REITs	Date of Listing	IPO Price	Closing Price 31/12/2011	% Change from Closing Price	Total Price Appreciaton	Dividends to-date per unit	Overall Return		Annualised Return
							sen	%	
Al-Aqar (KPJ)	10-Aug-06	0.95	1.17	23%	0.22	0.3642	0.58	61.1%	11.4%
Al-Hadharah Boustead	8-Feb-07	0.99	1.45	46%	0.46	0.4524	0.91	92.2%	18.8%
AmanahRaya	26-Feb-07	0.94	0.92	-2%	(0.02)	0.2525	0.23	24.7%	5.1%
AmFirst	20-Dec-06	1.00	1.19	19%	0.19	0.4198	0.61	61.0%	12.1%
Atrium	2-Apr-07	1.00	1.09	9%	0.09	0.3685	0.46	45.9%	9.7%
Axis	3-Aug-05	1.25	2.46	97%	1.21	0.8665	2.08	166.1%	25.9%
CMMT	28-Jun-10	1.08	1.25	16%	0.17	0.1399	0.31	28.7%	19.0%
Hektar	4-Dec-06	1.05	1.34	28%	0.29	0.5182	0.81	77.0%	15.2%
QuillCapita	8-Jan-07	0.84	1.09	30%	0.25	0.7800	1.03	122.6%	24.6%
Starhill	16-Dec-05	0.98	0.885	-10%	(0.10)	0.3694	0.27	28.0%	4.6%
Sunway	15-Jun-10	0.97	1.12	15%	0.15	0.0833	0.23	24.1%	15.6%
Tower	12-Apr-06	1.07	1.25	17%	0.18	0.4832	0.66	62.0%	10.8%
UOA	30-Dec-05	1.15	1.44	25%	0.29	0.5286	0.82	71.2%	11.9%
Pavilion	6-Dec-11	0.88	1.10						

Review of the Plantations Sector

The Malaysian Plantations Sector is dominated by the cultivation of oil palm from which the fruits harvested are milled for the production for palm oil and palm kernel. Since 2005, palm oil is the leading vegetable oil produced in the world, having pushed soybean into second place. Palm oil is generally the cheapest commodity vegetable oil and due to its availability and relatively low cost, it is an important component of the increasing intake of oils and fats in the world. Without the current levels of exported palm oil from Malaysian and Indonesia, there would be a major problem in meeting world demand for vegetable oil.

Palm Oil Production

Amounts in '000 metric tonnes

Country	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010(est)	2011(p)
Indonesia	7,050	9,370	10,600	12,380	14,100	16,050	17,270	19,200	20,900	23,600	23,800
Malaysia	10,842	11,909	13,355	13,976	14,962	15,881	15,824	17,734	17,565	17,000	17,600
Others	3,975	4,130	4,304	4,822	4,914	5,358	5,738	6,371	6,600	6,372	6,372
TOTAL	**21,867**	**25,409**	**28,259**	**31,178**	**33,976**	**37,289**	**38,832**	**43,305**	**45,064**	**46,972**	**47,772**

Source: WTW Research

In 2006, Indonesia had surpassed Malaysia as the largest producer of crude palm oil and as at the end of 2010, 60% of Indonesian output continued to be exported as Crude Palm Oil (CPO).

In 2010, Malaysia produced 17 million tonnes of palm oil and maintained its global position as the largest producer of palm oil, employing more than 570,000 people. About 60% of palm oil exports from Malaysia are shipped to China, the European Union, Pakistan, United States and India, mostly after processing into cooking oil, margarine, specialty fats and oleochemicals. Malaysia exports more than 90% of its palm oil production.

In 2011, Malaysian palm oil production is forecast to reach 17.6 million tonnes, matching production in 2009 and only 150,000 tonnes short of the 2008 record of 17.7 million tonnes, due to improved weather conditions. Overall, global palm oil production could rise from 47 million tonnes in 2010 to a projected 47.7 million tonnes in 2011, putting pressure on market prices.

Malaysia's palm oil exports for 2011 is set to hit an all-time record of RM80 billion, thanks to higher palm oil prices averaging over RM3,000 per tonne and sustained demand for edible oils from emerging economies. Malaysia's largest oil palm market is China which imported 3.34 million tonnes in the first 10 months of 2011.

Planted Area

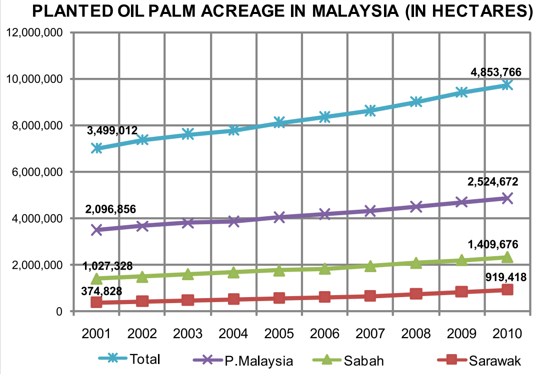
The total planted area under oil palm in Malaysia was 4,853,766 hectares as at end-2010, an increase of 162,606 hectares or 3.5% as compared 2009. 52% of existing oil palm planted areas are located in Peninsula Malaysia, 29% in Sabah and 19% in Sarawak.

In 2010, the largest expansion of acreage was 9.5% in Sarawak while the increase in Peninsula Malaysia was 1.4%.

About 1.5 million hectares or 32% of planted acreage are under plantation companies which are listed on Bursa Malaysia, 28% under Government schemes and 40% under other private estates.

Arising from the Government initiated merger in 2007 of Sime Darby Bhd, Golden Hope Plantations Bhd and Kumpulan Guthrie Bhd and 5 other listed plantation

PLANTED OIL PALM ACREAGE IN MALAYSIA (IN HECTARES)



Total Distribution of Oil Palm Planted Area in Malaysia

	Hectares	
Listed Companies	1,529,483	32%
Other Private Estates	1,943,836	40%
FELDA	811,140	17%
FELCRA	160,832	3%
State Schemes / Govt Agencies	408,475	8%
	4,853,766	

Oil Palm Plantations of listed Companies	Acreage (hectares)
Sime Darby	314,154
KL Kepong	180,551
IOI Corporation	154,709
Tradewinds Plantation	91,106
Glenealy Plantations	82,097
Boustead Holdings	74,354
Genting Plantations	60,899
Sarawak Oil Palms	58,940
TSH Resources	57,532
United Plantations	45,768
Rimbunan Sawit	44,728
TH Plantations	37,484
Hap Seng Plantations	35,185
Kulim Malaysia	29,815
Sarawak Plantation	27,562
TDM	26,423
IJM Plantations	25,222
Other Plantation Companies	182,954
TOTAL	**1,529,483**

PLANTATIONS

Review of the Plantations Sector

companies, a re-constituted Sime Darby Bhd emerged with 522,000 hectares of plantation of which 314,000 hectares are in Malaysia. Permodalan Nasional Bhd and Skim Amanah Saham Bumiputra own 49% of Sime Darby Bhd.

The other large plantation companies listed on Bursa Malaysia which are owned by Malaysian companies or individuals include Kuala Lumpur Kepong Bhd, IOI Corporation Bhd, Genting Plantations Bhd and Glenealy Plantations Bhd.

Large plantation companies with substantial or controlling interests by foreigners include United Plantations Bhd (46% held by Danish shareholders) and United Malacca Bhd (35% held by Singaporean shareholders).

Government schemes within the palm oil sector account for approximately 30% of oil palm planted area. FELDA is the most significant public sector agency and accounts for about 17% of planted area and about 20% of palm oil production.

Plantation Sales Transactions

In 2011, only 5 large plantation transactions were reported with details below:

Date	Location	Title Area hectares	Planted Area hectares	Age of oil palm trees	Tenure	Total Price (RM)	RM Per hectare	RM Per acre
2/2/2011	Buloh, Mukah, Sarawak	4,100.00	3,659.46	1-7 years	Leasehold exp 2060	113,200,000	27,610	11,174
2/2/2011	Buloh, Mukah, Sarawak	4,625.00	2,009.82	1-6 years	Leasehold exp 2060	70,600,000	15,265	6,178
2/2/2011	Puyut & Teraja, Miri, Sarawak	5,000.00	NA	NA	Leasehold exp 2067	46,900,000	9,380	3,796
11/2/2011	Niah/Sawai, Sarawak	4,857.00	3,433.12	14-16 years	Leasehold exp 2054	118,000,000	24,295	9,832
2/6/2011	Kinabatangan, Sabah	6,074.85	5,281.07	1 - 23 years	Leasehold exp 2074 - 89	381,530,000	62,805	25,417

Capital values of plantation properties currently range from RM4,000 – RM20,000 (basic land values) to RM 50,000 mature palm oil fields at peak values. Basic land values are influenced by location / transport distances to palm oil mills and subsequently to bulk terminals at ports and soil fertility / projected harvest yields. Generally, plantation land costs are highest in Peninsula Malaysia, lowest in Sarawak and with Sabah in between.

Planted fields values are further dependent on year of maturity of the trees, planting costs and/or annual upkeep costs. In Sabah, costs are further increased by the imposition of the State Cess at 7.5% and windfall tax of 15% - 30% (when CPO prices exceed RM2,500 and RM3,000, respectively).

For 2011, the key average costs influencing plantation capital values were as follows:

	Peninsula Malaysia	Sabah
3 Year Planting Costs per ha	RM1,750	RM2,700
Annual Upkeep Costs per ha	RM1,380	RM2,159
Harvest Transport Cost / MT FFB	RM38	RM42
Transport to Bulk Terminal / MT	RM25	RM25

The highest matured palm oil fields comprise trees aged 7-9 years. Fields in the first year of planting and fields with trees aged about 17 years will be about 30% lower than the peak values. After the 17th year, field values decline by an average of 12% per annum up to the 24th year.

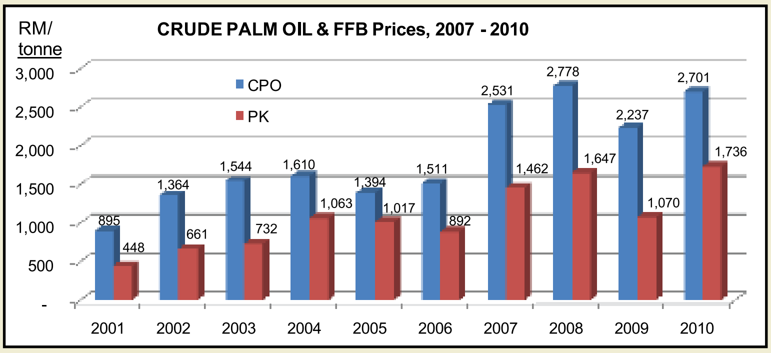
Market Outlook

Palm oil production will continue to expand strongly year-on-year to meet growing world demand as lands under oil palm cultivation increase and yields improve with innovation and technology.

From 2012, CPO prices could be at the start of a new cyclical downtrend after 3 consecutive years of being on a year-on-year uptrend. We project long term average CPO prices of RM2,700 per tonne in 2011 and RM2,900 per tonne in 2012. The bearish market sentiments may be due to the following factors:

1. Strong annual growth on palm oil production as a result of improved harvests and continued expansion of oil palm plantations especially in Indonesia
2. Prospects of improved harvests of soybean crops in Argentina and Brazil
3. Import quotas and/or tariffs in India as well as volatile trading conditions with China

Consequently, the yields on plantation properties and corresponding capital values may not improve if palm oil prices trend downwards as supply consistently exceeds demand in the next 2 – 3 years.



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