WTW Property Market **2008**

C H Williams Talhar & Wong

KDN PP9013/07/2008(006825)

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.

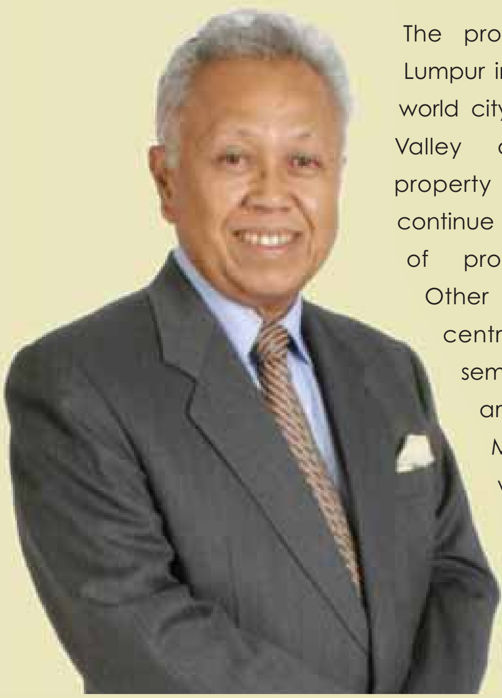
HISTORY

Colin Harold Williams established C H Williams & Co in Kuala Lumpur in 1960. In 1973, the sole ownership became a 3-way equal partnership of Messrs C H Williams Talhar & Wong following the merger with Johor based Talhar & Co (founded by Mohd Talhar Abdul Rahman) and the inclusion of Wong Choon Kee.

PRESENT MANAGEMENT

The current Management is headed by the Group Chairman, Mohd Talhar Abdul Rahman. The Managing Directors of the WTW Group operations are :

• C H Williams Talhar & Wong Sdn Bhd	Goh Tian Sui
• C H Williams Talhar & Wong (Sabah) Sdn Bhd	Chong Choon Kim
• C H Williams Talhar Wong & Yeo Sdn Bhd (operating in Sarawak)	Wong Ing Siong
• WTW Bovis Sdn Bhd	Dinesh Nambiar



Mohd Talhar Abdul Rahman

The progress of Kuala Lumpur into an examplar world city and the Klang Valley as a vibrant property powerhouse continue to set the pace of property industry. Other established city centres reporting a semblance of revival are Penang and Malacca. In the wider regional context, while the residential sector in established regions other than Penang remains unchanged there is a surge in the retail sector of the commercial market across the country.

One sector which merits mention is the agricultural sector. The buoyant demand for Malaysia' s oil palm produce with its extended value into bio-fuel levers the returns from plantation and plantation related industry into a different earning level. While this raises the values of estates and smallholdings the greater significance lie in the increasing spending power of a large section of the community involved in the industry. This provides the prop for the growth in the retail market into the smaller urban centres across the country.

The impetus given to the South Johor region with the setting up of IRDA have propelled the investment into the region in a manner not experienced before. What is perhaps more apparent than ever is the raising of the standards expected in the new developments. While there was already good working relationship with Singapore in the past the involvement beyond the State in IRDA adds further relish to the interest. The major infrastructural projects over the whole of the South Johor region are back in full swing. This has a positive impact on developments extending to Tanjong Langsat to the east of Pasir Gudang, and beyond to the Pengerang region.

The new Economic Regions and Corridors use infrastructure development as the principal driver providing for new or the upgrading of existing facilities. Accessibility to markets as in the case of Sabah to China, Korea and Japan will further boost its tourism industry. Such accessibility will further boost the nascent health tourism subsector.

There is a growing market for higher end landed property in the new established centres and in the new developments in the South Johor region. The latter developments use water-settings to foreign interests. The trend for domestic as well as foreign interest in the MM2H to go for the high end property is well set. With this we may see more exclusive developments being undertaken more on smaller rather than large sites by boutique quality builders. While the overcompetitive large scale township developments of the last two decades have resulted in the oversupply and mismatch of mass housing, this trend may well be what the industry needs.

While upbeat on new regions, the problems faced by the established city centres and regions from neglected and abandoned premises, poor land-use, should not be overlooked. There remains a dire need for the regeneration of such centres and resolution to abandoned premises. It is a communal problem and a communal responsibility requiring a concerted communal effort. Given the same type of impetus as that given to the new regions and corridors our city centres can be vibrant and not be an indictment of our neglect.

2008 Market Direction

	Office	Retail	Shophouse	Residential	Industrial	Hospitality	Development Land	Agricultural
Kedah	↔	↔	↔	↔	↔	↔	↔	↔
Alor Star	↔	↔	↑	↑	↔	↔	↔	↔
Penang	↔	↔	↑	↑	↔	↑	↑	↔
Butterworth	↔	↑	↑	↑	↑	↑	↑	↑
Perak	↔	↔	↔	↔	↔	↔	↔	↑
Ipoh	↔	↔	↔	↔	↔	↔	↔	↑
Klang Valley								
Kuala Lumpur	↑	↔	↑*	↑*	↑	↑	↑	na
Petaling Jaya	↑	↔	↑*	↑*	↑	↑	↑	na
Shah Alam	↔	↔	↔	↔	↑	↔	↑	na
Klang	↔	↔	↔	↔	↑	↔	↑	na
Negeri Sembilan	↔	↔	↑	↑	↑	↔	↑	↑
Seremban	↔	↓	↑	↑	↑	↔	↑	↑
Malacca	↔	↑	↓	↓	↓	↑	↔	↔
Johor								
Batu Pahat	↔	↑	↑	↔	↔	↔	↑	↑
Johor Bahru	↑	↑	↑	↑	↑	↑	↑	↑
Pahang	↔	↔	↔	↔	↔	↑	↔	↑
Kuantan	↔	↓	↓	↓	↔	↑	↓	↑
Terengganu	↔	↔	↑	↑	↔	↑	↑	↑
Kuala Terengganu	↔	↔	↑	↑	↔	↑	↑	↑
Kelantan	↔	↔	↑	↑	↔	↔	↑	↑
Kota Bharu	↔	↔	↑	↑	↔	↔	↑	↑
Sabah								
Kota Kinabalu	↔	↔	↔	↔	↔	↑	↑	↑
Sandakan	↓	↔	↔	↔	↔	↔	↔	↑
Tawau	↓	↑	↑	↑	↔	↔	↔	↑
Lahad Datu	↔	↔	↔	↔	↑	↔	↑	↑
Keningau	↔	↑	↑	↑	↑	↔	↔	↑
Labuan	↔	↔	↑	↑	↑	↑	↔	↔

* indicating an upward trend in selective areas for shophouses and niche developments for the residential sector
na Not Applicable

WTW, March 2008

Kuala Lumpur & Selangor (incl. Putrajaya / Cyberjaya)

In 2007 domestic demand was identified by the Malaysian Institute of Economic Research (MIER) as the key growth driver in Malaysia. It grew by an average of 10.7% (real GDP by expenditure) in the 1st three quarters of 2007. Private consumption grew strongly at 11.9%, a spin-off effect of higher income and firm commodity prices.

At the 2000 census, it was recorded that Klang Valley accommodates almost 24% of the nation's population on 2.5% of the total Malaysian land mass. The highest population density in the country is recorded in WPKL at 5,676 persons per sq km.

In the first half of 2007, Selangor and WPKL mustered 40,064 property transactions accounting for 28% of all property transactions in the country. The value per transaction at RM337,148 in Selangor and RM813,986 in WPKL is above the Malaysian average of RM233,175.

	Selangor	WPKL	Malaysia
Population	4,188,876	1,379,310	23,274,690
Land Area	7,960 sq km	243 sq km	330,000 sq km
Density	526	5,676	71
Ethnicity (Bumiputera:Chinese:Indian:Others)	53:31:15:1	44:44:11:1	65:26:8:1

Source: 2000 Census, Department of Statistics Malaysia

Total property transactions, H1 2007	31,976	8,088	142,163
Total property transactions, H1 2006	28,939	7,865	131,321
Total property transactions, 2006	62,050	17,247	269,600
Total value, H1 2007	RM10,780.6 million	RM6,583.5 million	RM33,335.4 million
Total value, H1 2006	RM10,490.9 million	RM4,083.7 million	RM28,813.5 million
Total value, 2006	RM20,942.9 million	RM9,410.5 million	RM59,538.1 million
Value per transaction, H1 2007	RM337,148	RM813,986	RM233,175
Value per transaction, H1 2006	RM362,517	RM519,223	RM219,413
Value per transaction, 2006	RM337,517	RM545,633	RM220,839

Residential	RM5,931 m	(55%)	RM2,483 m	(38%)	RM15,336 m	(46%)
Commercial	RM1,527 m	(14%)	RM2,009 m	(30%)	RM6,782 m	(20%)
Industrial	RM1,548 m	(14%)	RM147 m	(2%)	RM3,046 m	(9%)
Agriculture	RM579 m	(5%)	-		RM3,240 m	(10%)
Development Land	RM1,190 m	(11%)	RM1,944 m	(30%)	RM4,910 m	(14%)
Others	RM6 m	(1%)	-		RM21 m	(1%)
Total	RM10,781 m		RM6,583 m		RM33,335 m	

Source: JPPH, Ministry of Finance

Klang Valley, representing the financial and administrative centre of the country and accommodating almost one-quarter of the nation's population, would thus drive the nation's economy albeit in different ways.

Investment Climate

The 2007 investment market in Klang Valley has been a particularly active with interest both from Malaysian and foreign investors. Over the last few years, more foreign investors have been or are seen to be interested in investing in Malaysian properties, more particularly since the amendment of the REIT regulations by the Securities Commission.

- Singapore's CapitaLand Ltd set up a joint-venture with Malaysian partners to develop a prime parcel of land in the city centre. This is in addition to the 30% stake already held in the 50-storey Menara Ctibank, as well as involvement in residential projects namely Hampshire Residences, Kiaraville, Tiffani, Seni Mont Kiara, Zehn Bukit Pantai and the newly completed Marc Serviced Residences. Its associate company, UM Land is also involved in the luxury condominium Suasana Sentral Loft at KL Sentral. CapitaLand established Quill Capita Trust with Quill group of companies.
- Singapore's CIMB-Mapletree Management Sdn Bhd acquired CP Tower in Petaling Jaya for RM123 million. CIMB-Mapletree Real Estate Fund 1 purchased MRCBs Lot A at KL Sentral for RM100 million
- GIC of Singapore that already holds a 48% stake in Sunway Pyramid Shopping Mall and the Sunway Resort Hotel & Spa with 24% stake in SunCity , also acquired Menara Standard Chartered for RM130 million in 2001
- Singapore's Great Eastern Life Assurance holds assets namely Menara Great Eastern, Great Eastern Mall and Menara Weld in Kuala Lumpur

- One of the largest private companies in Indonesia, PT Rajawali Corporation holds assets in Malaysia that includes Sheraton Imperial Hotel, Faber Imperial Court and Sheraton Langkawi.
- In 2006, the Australian property fund, Macquarie Global Property Advisors invested RM680 million for the purchase of Empire Tower, City Square and Crown Princess in Kuala Lumpur
- Hong Kong's Martego owns Cecil Chao Centre at Lorong Perak, Kuala Lumpur.
- Singapore's UOL group acquired a serviced residence project in KLCC area, the south tower of One Residency. Assets held by UOL include Grand Plaza Parkroyal KL, Grand Plaza Parkroyal Penang and President House Kuala Lumpur.
- Kuwait Finance House and the Singapore-based Pacific Star group holds 49% stake in KL Pavilion. KFH also featured in the transactions of The Icon and Glomac Tower as well as Menara YNH.
- Hong Kong's Far East Consortium International Ltd acquired the RM140 million Sheraton Subang Hotel & Tower in 2006. Other assets held in Malaysia include Dorsett Regency and Sri Jati Serviced Apartments in Kuala Lumpur. Through subsidiaries it also holds Hartamas Shopping Centre, Plaza Damas, Windsor & Waldorf Towers and Maytower in Kuala Lumpur.
- Germany's Union Investment Real Estate AG acquired Capital Square's Office Tower 2 at about RM440 million in January 2008
- Property portfolio held by Singapore's GuocoLand Ltd (GLM) and its associated companies in Malaysia comprises 12,718 acres of land in Klang Valley, Rawang, Sepang and Malacca; whilst it established Tower REIT comprising 2 commercial buildings in Kuala Lumpur. Tower REIT acquired 78% stake in Menara ING in 2006. In April 2006, it took over GLM Oval Apartments in KLCC for RM475.6 million.
- Injaz Asiaequity acquired Kenanga International for RM165 million

The REIT Element

Since the listing of the first Real Estate Investment Trust (REIT) - Axis REIT in August 2005, Malaysian REITs have grown steadily within a short span with eleven (11) REITs of different asset classes, i.e. office, retail, industrial, plantation and healthcare being listed on the Bursa Malaysia as at end of December 2007.

To encourage the growth of REITs in Malaysia, the government has proposed via Malaysian Budget 2008 that the disposal of buildings from companies to REITs is not subject to balancing charge. As such, REITs are eligible to claim the balance of unclaimed Industrial Building Allowance (IBA) of the disposer.

Acquisition and expansion activities have been fairly active among the existing M-REITs in the 2nd half of 2007. Axis REIT has acquired five properties, namely the SKB SKB Shutters Manufacturing Sdn Bhd, Nestle House in Petaling Jaya, Nestle warehouse in Subang, a warehouse occupied by Giant Hypermarket in Sungai Petani, Kedah, an industrial complex in Senai, Johor and a warehouse in Tanjung Pelepas, Johor for a total consideration of RM124.3 million.

In August 2007, Amfirst REIT acquired 'The Summit Subang USJ' from Meda Development Sdn Bhd for a total consideration of RM260 million. Amanah Raya Bhd has also acquired a 13-storey office tower known as Dana 13 for a total consideration of RM96.5 million from Puncak Dana Sdn Bhd. The acquired office tower is to be leased to Symphony House Bhd under 10 year + 5 year lease arrangement and is expected to be injected into Amanahraya REIT. Atrium REIT acquired a leasehold industrial building located at Senai Industrial Park, Johor from Yong Jin Development Sdn Bhd for a total consideration of RM12.5 million.

KPJ Healthcare proposed to dispose five hospital buildings, namely Perdana Specialist Hospital, Kuantan Specialist Hospital, Sentosa Medical Centre, KPJ Kajang Specialist Hospital and Kedah Medical Centre to Al-Aqar KPJ REIT for a total consideration of RM170.04 million. The acquisition will be satisfied partly by cash consideration of RM85,755,050 and partly by issuance of 88,721,000 new units in Al-Aqar KPJ REIT at an issue price of RM0.95 per unit.

The proposed 1st tranche placement of up to 151,440,000 new units in Quill Capita Trust (QCT) to raise proceeds of approximately RM227 million and the acquisition of Wisma Technip and part of Plaza Mont Kiara were completed in September 2007.

In November 2007, UOA REIT received an "offer for sale" for the 5-storey office building with two mezzanine floors and three basement carparks known as Wisma UOA Pantai from Magna Tiara Development Sdn Bhd, a subsidiary of UOA Holdings Sdn Bhd for a cash consideration of RM86 million. Additionally, UOA REIT proposed to dispose the 8-levels office building known as Wisma UOA Bangsar to Makmal Capital Sdn Bhd for a cash consideration of RM32 million.

Looking forward, other potential REITs include, amongst others, those to be set up by Sunway City Berhad (SunCity) which is expected to surpass Starhill REIT in asset size, if the REIT is to be listed on Bursa Malaysia.

Kuala Lumpur & Selangor (incl. Putrajaya / Cyberjaya)

Retail Cheer in Klang Valley

2007 marks an eventful year for the retail sub–sector in Klang Valley with the completion of KL Pavilion, The Gardens@MidValley and Sunway Pyramid 2. These three centres alone accounted for 63% of the total new retail space in 2007 in Klang Valley. Other centres completed in 2007 include Bangsar Village II, Jaya 33, Giant Hypermarket Kinrara, Capital Sq and AEON Bukit Tinggi. By year end 2007, total supply stood at 36.873 million sq ft indicating a 14.5% increase in supply over the previous year. Despite a 4.689 million sq ft of additional space, a substantially high take-up of 4.176 million sq ft has been recorded. Despite that the occupancy of retail centres in the Klang Valley in 2007 stood at 85.8% compared to 86.2% in 2006.

Consumers are now spoilt for choice with the return of Singapore-based retail anchors CK Tangs and Robinsons. Also on board in 2007 are True Fitness, Celebrity Fitness, Isetan, Parkson and Jusco. KL Pavilion, The Gardens and Sunway Pyramid 2 were opened with leasing take-up in excess of 80% which include foreign retailing brands making their debut in the Malaysian retail industry namely Banana Republic, Trucco, Mandarina Duck, Bebe and Promod. Flagship concept stores taking up multi-storey space within KL Pavilion with external entrances include Coach, Esprit and Ferragamo.

The Malaysian Retailers Association reduced its retail growth projection to 7% for 2007 in view of higher living costs that is weighing down consumer confidence. Total sales is expected to reach RM68 billion, a shortfall of RM610 million.

Foreign investors increasing activity in the Malaysian market is evidenced in the KFH's (Kuwait Finance House / Singapore-based Pacific Star group) 49% stake in KL Pavilion, CapitaLand's interest in The Mines Shopping Fair and KFH/Malton Berhad's share in KL Plaza. OSK Property Holdings Berhad acquired Atria Shopping Centre for RM75 million.

KL Pavilion

Investment Grade Office Supply on the Increase

Despite the additional 3.45 million sq ft of new office space in the Klang Valley in 2007, a considerable take-up of 3.25 million sq ft was recorded at average prime rents in Kuala Lumpur ranging from RM5.00 - RM7.80 per sq ft. The vacancy rate of purpose built office space in the Klang Valley further improved to 13.2% in 2007 compared to 13.9% in 2006. None of the completions were within Kuala Lumpur city centre, with some 621,000 square feet of space completed in Petaling Jaya over three (3) buildings.

New completions in 2007	
Menara TSH, Jalan Semantan	125,000 sq ft
Centro Klang, Klang	300,000 sq ft
1 Sentral,	351,000 sq ft
Capital Sq	145,000 sq ft
Centrepoint MidValley	420,000 sq ft
Jaya 33, PJ	306,000 sq ft
UOA Pantai, Jalan Pantai	157,000 sq ft
Dell Building, Cyberjaya	196,000 sq ft
Plaza Cygal Tower 2, Jalan Pantai	281,000 sq ft
UOA Damansara II, Damansara Heights	300,000 sq ft
3 2 Square, PJ	135,000 sq ft
Menara LYL, PJ	180,000 sq ft
26 Boulevard, Putrajaya	353,000 sq ft
SMEII Building, Cyberjaya	200,000 sq ft

Among the major movers in 2007 are two of the "big four" accounting firms i.e. PriceWaterhouseCoopers (PwC) and KPMG that relocated to 1 Sentral and 8 First Avenue respectively taking between them almost 250,000 sq ft. Other major movers have predominantly taken-up newly completed buildings such as Sony Malaysia at Northpoint MidValley, TSH Resources into their own Menara TSH, Citibank into Centro Klang, JKR into Centrepoint North; Prudential Assurance, Bayer, Maybank and Sara Lee to Jaya 33; EC and Wilhelmsen Maritime into 1-Sentral; and Telekom into Plaza Cygal 2. Dell Global Business Centre occupied Dell Building in Cyberjaya.

Kuala Lumpur & Selangor (incl. Putrajaya / Cyberjaya)

The 3.25 million sq ft take-up in 2007 is highly skewed towards FIREB (Financial, Insurance, Real Estate & Business Services) activities predominantly moving into buildings completed in 2006 and 2007

Tenant	Business activity	Remarks	Premises	
ABN Amro	FIREB*	Relocation	Menara Maxis	27,800 sq ft
Royal Bank of Scotland		New branch	Menara IMC	1,200 sq ft
AEON Credit Services		Expansion	Menara Olympia	3,000 sq ft
Scope Int (Std Chartered)		New branch	Menara LYL	67,000 sq ft
KPMG		Relocation	8 First Avenue	140,000 sq ft
PwC		Relocation	1 Sentral	105,300 sq ft
Perbadanan Ushawan Bhd			Plaza Sentral	49,585 sq ft
Citibank		New branch	Centro Klang	10,438 sq ft
ACE Synergy			Menara Weld	31,837 sq ft
Averis			Plaza Sentral	28,836 sq ft
Khazanah Nasional Bhd			Menara TM	8,000 sq ft
MJ Health			8 First Avenue	10,000 sq ft
Prudential		New branch	Jaya 33	69,420 sq ft
Lexis Nexis			Jaya 33	13,890 sq ft
Bayer			Jaya 33	27,780 sq ft
Maybank		New branch	Jaya 33	23,140 sq ft
Global Process Systems	ICT	Relocation	Menara See Hoy Chan	26,000 sq ft
HP		Expansion	Menara HP	11,593 sq ft
Dell Global Business Centre		New	Dell Building	196,000 sq ft
Brother			Jaya 33	13,890 sq ft
Sabah Shell Petroleum	Electricity Gas & Water		Etiqa Twins	33,000 sq ft
ALLSTOM Power			Chulan Tower	36,000 sq ft
GEC			1 Sentral	23,400 sq ft
Wilhemssen Maritime			1 Sentral	23,400 sq ft
E2open Development		Relocation	Faber Imperial Crt	13,800 sq ft
Jabatan Kerja Raya	Government		Centrepoint North	210,000 sq ft
Kementerian Perumahan		Expansion	Damansara Towns Ctr	91,201 sq ft
Jabatan Pengangkutan		Expansion	Damansara Towns Ctr	20,661 sq ft
Kementerian Seni			Bangunan MAS	10,500 sq ft
Telekom	Transport, Storage & Communication	Expansion	Plaza Cygal 2	281,000 sq ft
Sony		New branch	Northpoint MidValley	11,000 sq ft
Astro			Northpoint MidValley	5,000 sq ft
Think Products			Damansara Uptown 5	18,535 sq ft
HP		Expansion	HP Tower	11,593 sq ft
EDS		Expansion	Quill Building 3	13,640 sq ft
RB Ventures (Ranhill)	Construction	Expansion	Empire Tower	24,000 sq ft
TSH Resources	Agri, Forestry & Fishing	Relocation	Menara TSH	90,000 sq ft
Sara Lee	Hotel, Retail & F&B	Relocation	Jaya 33	27,780 sq ft

* FIREB Financial, Insurance, Real Estate & Business Services

Wisma Denmark (together with adjoining parcels of land) that underwent an abortive sale in 2006 was ultimately purchased by Sunway City Berhad for RM170 million. Transactions in the office market was active in 2007 and they include:

- Menara SPK at RM80 million
- Wisma AmanahRaya at RM68 million (part of the AmanahRaya REIT listing)
- Wisma Amanah Raya Berhad at RM53 million (part of the AmanahRaya REIT listing)
- Wisma UEP at RM35.5 million
- Wisma Technip at RM125 million
- KL Paza at RM425.5 million (together with retail component)
- The Icon (West Wing) at RM174.4 million
- Wisma Damansara at RM100 million
- Menara PMI at RM39 million
- Summit Subang USJ at RM260 million (together with retail and hotel components)
- Nestle House at RM39.8 million
- Wisma UOA Pantai at RM86 million
- Menara Commerce (sale&leaseback) at RM460 million

Kuala Lumpur & Selangor (incl. Putrajaya / Cyberjaya)

During 2007, a first of its kind sale & leaseback transaction was concluded under the Islamic Ijarah principle. The agreement was between Telekom Malaysia Berhad and SPV Menara ABS Berhad where ABS will issue up to RM1.1 billion in Islamic Trust Certificates to purchase 4 buildings (Menara TM, Menara Celcom, Cyberjaya Complex and Wisma TM Taman Desa). Subsequent to the sale, these properties will be leased back to Telekom under the Ijarah principle for 15 years.

In 2007,

- MUI Plaza was renamed Menara Hap Seng and is undergoing refurbishment.
- The EMKAY group of companies purchased a 21-storey office tower at PJ Trade Centre which will be named Menara Mustapha Kamal upon completion.
- Following the rebranding of MNI and Takaful, MNI Twins was renamed Etiqa Twins and Bangunan Dato' Zainal renamed to Menara Etiqa

The current total supply of office space in Klang Valley of 68.603 million sq ft is expected to increase by over 5% in 2008 with the impending completions of Menara Commerce, PJ Eight, as well as more buildings at MidValley and CapSquare amongst others.

Cyberjaya

Cyberjaya is considered as part of the MSC, which enjoys Bill of Guarantees in terms of tax exemption as well as IT infrastructure, thus the potential for investment in office buildings in Cyberjaya. As at end 2007, there were 79 MSC MNCs in Cyberjaya. Office buildings with investment potential in Cyberjaya continues to attract local and foreign investors which would lead to further growth in terms of capital value.

Office buildings in Cyberjaya may face competition from existing and future supply of office buildings in KL Sentral which was awarded MSC Cybercentre status in 2006. Being part of the MSC, KL Sentral also enjoys the benefits of Bill of Guarantees albeit at higher rentals.

Serviced Apartments

The supply of serviced apartments in 2007 in Kuala Lumpur (comprising hotel-type accommodation as well as serviced residences) increased by 58% (over the 2006 supply) to 6,421 units. A total of 2,355 units were completed in 2007 and they include Marc Serviced Residence, 10 Semantan, Hotel Peninsula Residence, Maytower, Binjai Residency, Menara Bintang Goldhill, Kiara Designer Suites and Capsquare Residence.

In 2008 fifteen developments are to be completed adding about 3,644 units (or an additional 57% to supply). Developer's sale prices of newly launched serviced residences range from RM650 to RM1,000 per sq ft albeit some developers have revised the initial launch price to RM900 per sq ft and above. The fifteen developments have all managed to achieve favourable sales rates of over 80%. Of the total new units expected to be completed in 2008, 74% will be located in the KLCC which include 163 Residence, The Meritz, The Troika, MyHabitat, 231 Residence and Oval Suites amongst others.

The proposed Four Seasons Apartment at KLCC that is expected to be launched in 2008 is set to breach the benchmark for the serviced residence subsector in Kuala Lumpur, reported to be above RM2,000 per sq ft.

Kuala Lumpur & Selangor (incl. Putrajaya / Cyberjaya)

Residential

In the light of Government initiatives announced, the impact of the RPGT waiver / exemption, access to competitive funding and flexible monthly withdrawals by EPF contributors has managed to sustain the buyers interest particularly in this domestic driven sector. Interest in the popular areas are still active whilst the higher end niche developments have also been given the boost due to increasing demand.

Residential hotspots have been identified at KLCC, KL Sentral, Melawati/Ulu Kelang, Mutiara Damansara, Mont Kiara/Segambut, and Kota Damansara as well as the Menjalara/Kepong stretch. These areas have been particularly identified as hotspots due to significant activity:

- KLCC is identified as the prime location in the country and recognized with brisk development. Projects in 2007 include One KL, Stonor Park, Icon, The Oval, Binjai Residency and The Crest
- U-Thant / Ampang Hilir is an established area adjoining KLCC traditionally identified as the embassy precinct of Malaysia. Projects include U-Thant Residence and Gallery
- Mont Kiara / Segambut is identified with highrise and niche landed residential developments. Projects in 2007 include Lumina Kiara, Anjung Tiara, 11 Mont Kiara, Prima Tiara, Verve Suites, Ceriaan Kiara and Palazzio
- Melawati / Ulu Kelang is a choice area due to active bungalow and other landed projects that include 20 Trees, Riverview, Amber Hill and Tropika Kemensah
- Kota Damansara identified as the spillover from PJ/Damansara with excellent infrastructure such as schools, hospitals and commercial complexes. Projects in 2007 include Challis, Villa Manja, Tropicana Grande, Cova Villa
- Menjalara/Kepong identified as the spillover from the LDP and stretching out from Kepong with DesaParkcity and Sunway SPK developments

Challis, Damansara

Hotel Refurbishments and Rebranding

2007 marked a significant year for tourism in Malaysia with the successful campaign: Visit Malaysia 2007. Coupled with Visit Malaysia 2007, Malaysia also celebrated its 50^{th} Merdeka (independence) which was commemorated on a grand scale. Tourist arrivals into Malaysia reached 20.972 million in 2007 indicating an almost 20% increase over the corresponding period in 2006. Tourists from ASEAN countries in particular Singapore and Indonesia remain the biggest tourist generating market for Malaysia.

With total supply of 32,937 hotel rooms (3-5 star rated) housed in 99 hotels in 2007 in Klang Valley, the hotel market continued to be active with several hotels undergoing refurbishments and rebranding exercises.

- The Regent Kuala Lumpur has been refurbished and rebranded as The Grand Millenium Kuala Lumpur
- Alam Warisan Hotel in Putrajaya will be operated by the Accor group and renamed Grand Mercure Putrajaya
- Hotels under renovation in 2007 include Hotel Istana and Mandarin Oriental Hotel

Average room rates for 4 and 5 star rated hotels increased to RM219 and RM397 respectively in the 2^{nd} half of 2007 (compared to RM206 and RM375 during the 1^{st} half of 2007). Average occupancy rates increased to 77% in the 2^{nd} half 2007 compared to 69% in the 1^{st} half of 2007

Kuala Lumpur & Selangor (incl. Putrajaya / Cyberjaya)

Industrial headed by the demand for Logistics / Warehousing facilities

Foreign investments in manufacturing into the country rose strongly by 57% from Jan-Sept 2007 (over the corresponding period in 2006) but domestic investment slipped 17%. The top three investors between Jan-Sept 2007 were Japan, Iran and Singapore.

	Total Approvals	Domestic	Foreign
Jan-Sept 2005	RM19.9 billion	RM 9.5 billion	RM10.4 billion
Jan-Sept 2006	RM35.2 billion	RM21.3 billion	RM13.9 billion
Jan-Sept 2007	RM39.6 billion	RM17.8 billion	RM21.8 billion

Source: MIER, 2007 4th Quarter Update

The performance of the industrial sector is spearheaded by the demand for logistics/warehousing facilities in specific areas in Klang Valley. These areas include Shah Alam (Sections 15, 16, 23 & 26), Klang (Northport) and Puchong; areas that have excellent network of roads and access to major highways, prerequisites for international logistics operators. The traditional industrial areas in Petaling Jaya are gradually evolving into servicing / showroom localities with some being redeveloped into offices.

Industrial land prices in Shah Alam range from RM40-RM50 per sq ft compared to RM20-RM30 per sq ft in Northport.

A major industrial transaction in 2007 is the RM69 million transaction of a 22 acre parcel in Shah Alam to Pos Malaysia. It is being used as Pos Malaysia's national distribution centre. Also active in 2007 was the LYL group as they proceed to cater for custom-built warehouses that include the following facilities:

- A single storey warehouse with 3-storey office building at Taman Perindustrian Subang on a 8.4 acre site tenanted to Mydin Holdings
- A single storey warehouse with 2-storey office building at Bukit Jelutong on a 3 acre site tenanted to Schenker Logistics
- A single storey warehouse with 3-storey office building at Bukit Jelutong on a 5.6 acre site also tenanted to Schenker Logistics
- A single storey warehouse with 2-storey office building at Taman Perindustrian Puchong on a 26 acre site. Upon completion, this facility will be the largest logistic warehouse in the Puchong locality.

2008 MARKET OUTLOOK

Residential "niche high end development" will continue to remain high on the agenda of developers in Klang Valley as the demand for "lifestyle" projects is still strong in selected areas. However, there will be added pressure on occupancies and rentals of luxury condominiums in Kuala Lumpur due to the stiff competition from Serviced Residences with the anticipated 3,644 units coming on-stream by end 2008. Foreign interest in the high end luxury condominiums / serviced residences in the KLCC area and Mont Kiara is expected to continue its healthy demand. Together with the increasing construction costs, prices are not expected to take a breather though the rate of increase may not be as impressive as that experienced in the last two years.

The completion of investment grade commercial (office and retail) developments in 2008 is expected to respond to the demand for investment grade property in 2008 and 2009 with yields expected to continue to be compressed further. Rents for prime office space in Kuala Lumpur will continue to feel upward pressure in 2008 as new completions in 2008 is only 37% of the total existing stock of 3.78 million sq ft.

The three super regional malls i.e.The Gardens@MidValley, Sunway Pyramid 2 and KL Pavilion which were completed in 2007, contributing close to 3 million sq ft, were well taken up with more than 80% pre-leased upon opening. The debut of branded hi-end retailers at these three malls indicates a confidence by these retailers that there is a market for their products, both local as well as foreign (tourists), in line with the government's efforts to promote Malaysia as a preferred shopping destination.

Development land for niche residential developments in selected locations are becoming scarce and continue to be in demand. Boutique developments rather than township projects will do better and set to be the trend.

However, inflation, oil price, interest rates and other externalities such as geopolitical uncertainties and the effect of the US sub prime crises are challenges that will pose downside risks to the market in general.

Kedah

At the 2000 census, it was recorded that Kedah accommodates just over 7% of the nation's population on 2.5% of the Malaysian land mass.

In the first half of 2007, Kedah mustered 8,978 property transactions. Just over half of the total transactions recorded is attributed to residential properties. The value per transaction at RM128,910 is significantly below the Malaysian average of RM233,175.

	Kedah	Malaysia
Population	1,649,756	23,274,690
Land Area	9,425 sq km	330,000 sq km
Density	175	71
Ethnicity (Bumiputera:Chinese:Indian:Others)	77:15:7:1	65:26:8:1

Source: 2000 Census, Department of Statistics Malaysia

Total property transactions, H1 2007	8,978	142,163
Total property transactions, H1 2006	9,162	131,321
Total property transactions, 2006	17,838	269,600
Total value, H1 2007	RM1,157.35 million	RM33,335.4 million
Total value, H1 2006	RM1,278.65 million	RM28,813.5 million
Total value, 2006	RM2,675.10 million	RM59,538.1 million
Value per transaction, H1 2007	RM128,910	RM233,175
Value per transaction, H1 2006	RM139,560	RM219,413
Value per transaction, 2006	RM149,966	RM220,839

Source: JPPH, Ministry of Finance

KEDAH

A generally stable property market for Kedah in 2007, predominantly led by the active residential sector which has been attributed to increasing spill-over demand from Penang/Butterworth. Kedah has been made increasingly accessible with good infrastructure and highways that allow daily commuting between Butterworth and Kulim/Sungai Petani. Alor Star, Sg Petani and Jitra have been identified as the major hotspots in the state in 2007 evidenced by new launches and stable demand.

Langkawi took the lead in the tourism sector with notable transactions/initiatives:

- Foreign investment (Middle Eastern) into the state through the RM435 million purchase of Four Seasons Resort in Langkawi opens the state on the international investment scene.
- Visit Malaysia Year 2007 (VMY2007) has opened avenues to enable the current annual visitors to double from 2 million per annum with the rebranding of the island into Langkawi Geopark. Langkawi Geopark comprises 99 islands and opens it to the world geopark listing.
- "99 Degree East Langkawi" is a new RM2.8 billion venture for a new township on 340 hectares in Ulu Melaka.
- Tradewinds Corporation Berhad is acquiring two parcels in Pantai Kok, Langkawi to develop 123-room boutique hotel Pantai Kok Boutique Hotel

As a continuation from the previous year, the Sg Petani market garnered some notable investments:

- A detached factory in Kawasan Industri Ringan Bukit Makmur was sold to Force Timber Industry (M) Sdn Bhd for RM2 million
- A shopping complex on about 8.4 acres of commercial land in Bandar Sri Utama was sold to OSK Trustees Berhad (Trustee for Axis REIT) for RM38 million.
- The state has allocated RM15 million to set up a halal industrial hub in Sg Petani.
- Bina Darulaman Berhad will invest RM500 million to develop Darulaman Perdana to be known as Mini Putrajaya.

The residential sector saw local player, Eupe Corporation Berhad, launch its Cinta Sayang Resort Homes and Carnival Water Theme Park comprising semi-detached and terraced houses on a 155 acre site. The first gated & guarded project in Kulim was launched in Desa Aman by Golden Cignet Sdn Bhd comprising 254 bungalow units.

Pristine Oil (M) Sdn Bhd, a local player in the crude oil industry will be investing RM1.8 billion to build Kedah Crude Storage Complex on a 100 hectare site at the Yan Petroleum Industry Zone.

Acquisition of the year 2007

The RM435 million sale of Four Seasons Resort in Langkawi by MAS to a foreign investor (Saudi Arabian prince). The 91 villa resort (@ RM4.97 million each) is located on a 19.4 hectare site at Jalan Tanjung Rhu, Langkawi.

Four Seasons Resort Langkawi sold at RM435 million

2008 MARKET OUTLOOK

The spill-over effect from Penang/Butterworth is significant enough to spur the residential property market in Alor Star and particularly Sg Petani into 2008. The active construction and manufacturing sectors in the Sg Petani region paves well for the state.

The significance of Langkawi on the world tourism map and the announcement of the NCER (Northern Corridor Economic Region) is expected to augur well for the state in 2008 and the longer-term.

Penang

Based on the 2000 census, the total population in Penang formed 5.6% of the nation's population, residing on a total land area of 0.3% of the size of the country. In terms of population density, the Penang State is the 2nd highest after Wilayah Persekutuan Kuala Lumpur

In the first half of 2007, Penang registered 9,951 property transactions. The value per transaction at RM269,981 is higher than the overall country's average of RM233,175, which is the 4th highest in the country. Residential transactions formed almost 54% of the total value of transactions in Penang. Note: A 9.6% increase in value per transaction over the corresponding period the previous year.

	Penang	Malaysia
Population	1,313,449	23,274,690
Land Area	1,031 sq km	330,000 sq km
Density	1,274	71
Ethnicity (Bumiputera:Chinese:Indian:Others)	43:45:11:1	65:26:8:1

Source: 2000 Census, Department of Statistics Malaysia

Total property transactions, H1 2007	9,951	142,163
Total property transactions, H1 2006	10,044	131,321
Total property transactions, 2006	20,877	269,600
Total value, H1 2007	RM2,686.6 million	RM33,335.4 million
Total value, H1 2006	RM2,473.8 million	RM28,813.5 million
Total value, 2006	RM5,489.5 million	RM59,538.1 million
Value per transaction, H1 2007	RM269,981	RM233,175
Value per transaction, H1 2006	RM246,296	RM219,413
Value per transaction, 2006	RM262,947	RM220,839

Source: JPPH, Ministry of Finance

The 2007 property market in Penang was exciting mainly due to the launches of several high-end projects and the announcement of the implementation of high-impact initiatives by the Government under the NCER (Northern Corridor Economic Region), launched by the Prime Minister in July 2007. Penang will spearhead the logistics and transport aspects as well as solidify its position as the high technology electronics and logistics hub.

The **residential** property sector continued to be the dominant driver of the property market in the state both on the island and on the mainland. Major new players in the Penang property market are mostly developers based in Klang Valley. E&O Development Berhad, SP Setia Berhad, Mah Sing Berhad, Equine Capital Berhad, IJM Corporation Berhad and CP Group have managed to introduce new concepts and designs and higher quality standards to the Penang market such as lifestyle condominium projects and high-end resort-style gated & guarded developments. These new development concepts and designs are centred mainly in localities such as Seberang Perai Tengah, Tanjung Tokong, Tanjung Bunga, Jelutong, Gelugor, Batu Maung and Teluk Kumbar.

Development of **residential** properties has been further boosted with the following launches and acquisitions of development lands for such projects :

- Mah Sing Group Berhad acquired 86.8 acres of land in Batu Maung for RM115.75 million to develop Southbay Penang – a proposed mixed development project. The residential components, Lagenda@Southbay will comprise 85 units of detached houses priced from RM2 million per unit while the Residence@Southbay will comprise link homes priced from RM725,000 per unit.
- Bolton Berhad purchased a 3.412-acre parcel of land for RM24.7 million to develop high-end condominiums, known as The Surin.
- It was reported that Asia Green Group acquired a 2-acre site along Jalan Sultan Ahmad Shah (together with the dilapidated ruins of Shih Chung School) to build a high-end condominium or hotel development as well as restoring the existing heritage building.
- Ferringhi Heights to be developed by Plenitude Berhad will comprise high-end landed and non-landed units priced from RM1.8 million and RM1.2 million per unit, respectively.

Penang

- Local developer, Ivory Properties Group has entered into a joint-venture with Dijaya Corporation Berhad to build a 20-acre sea-fronting project in Batu Ferringhi.
- MRCB and Pelaburan Hartanah Bumiputra Berhad have agreed on a turnkey contract to develop three sites (118 acres in total) in Weld Quay, Gelugor and Teluk Kumbar.
- Platino was launched by IJM Corporation Berhad as part of the Metro-East mixed development comprising condominium units priced from RM718,000 to RM2.627 million per unit.
- Local developer, Hunza Properties Berhad, launched Infinity in Tanjung Bunga which comprises super condominiums priced from RM1.4 million per unit
- Setia Pearl Island located in Sungai Ara was launched by SP Setia Berhad. The developer also announced plans to launch its 2nd residential project in Relau, to be known as Setia Vista.
- E&O continued the launching of its semi-detached and detached houses in Seri Tanjung Pinang after completing and fully sold the Ariza Courtyard terraced houses.

The **commercial** property sub-sector generally remained stable except the prime retail complexes which attracted purchasers as well as investors and retailers.

- The opening of Sunway Carnival in Pusat Bandar Seberang Jaya has led to improved demand in the vicinity. Anchor tenants include Parkson, Giant and Metrojaya.
- Tesco Stores Malaysia has entered into a 20-year lease to operate a hypermarket in Seri Tanjung Pinang
- The 700,000-sq ft Gurney Plaza was sold to Singapore-based CapitaLand Ltd for RM770 million (@RM1,100 per sq ft). The transaction is the first en-bloc sale of a retail mall in Penang, which exceeds the RM1,000 per sq ft on the total net lettable area.

Market activity in the **industrial** sector appears to have consolidated with mostly the reinvestment by existing industrialists. The market activities involving industrial properties are as follows :

- Zhulian Corporation Berhad announced plans to build its RM26 million 3rd plant in Bayan Lepas
- Mini-Circuits Technologies will invest RM700 million in a R&D training centre in Bayan Lepas annexed to the existing facilities.
- Amanah Raya Berhad purchased a 3-storey facility in Valdor, Seberang Perai Selatan at RM30.875 million.

The occupancy and average room rates of hotels generally improved further, with the increase of domestic travellers and foreign tourists, due mainly to the promotional activities of Visit Malaysia Year 2007. Developments in the hotel property sector in 2007/2008 include:

- The RM100 million renovation of Mutiara Beach Resort Penang in Teluk Bahang. The hotel is expected to be completed by end of 2008 and renamed InterContinental Resort Penang.
- Sheraton Penang Hotel has been rebranded as Dorsett Penang
- The 10-storey Prime Plaza along Jalan Burma has been transacted and will be converted into one of the "no-frills" Tune Hotels accommodating 340 rooms.

Major infrastructure developments in the state include

- The construction of the 2nd Penang Bridge which is ongoing. The conceptual design and brief for the marine bridge has been completed and the pile testing works are set to begin.
- In contribution towards the establishment of a healthcare and biomedical cluster in Penang, Manipal Health System and Sri Arunanesh will build a RM300 million 200-bed hospital in Kepala Batas.

Major mixed development projects newly-launched in Penang include:

- Queen City, which is part of Queensbay Masterplan development launched by CP Group in Sungai Nibong
- Gurney Paragon by Hunza Properties Berhad on a 10.2-acre site formerly occupied by Uplands School along Persiaran Gurney and Jalan Kelawai.
- Southbay City by Mah Sing Group Berhad in Batu Maung
- The One by Ideal Homes Properties Sdn Bhd in Bayan Baru

Acquisition of the year 2007

Gurney Plaza, (the second largest mall in Penang after Queensbay Mall), along Gurney Drive was acquired by Singapore-based CapitaLand Ltd for RM770 million. With a NLA of 700,000 sq ft, the purchase price is analysed at RM1,100 per sq ft. The anchor tenants include Parkson Grand, GSC, Celebrity Fitness and Cold Storage. A new extension is currently ongoing, offering an additional 150,000 sq ft of retail space and 800 car parks.

Gurney Plaza
sold for RM770 million

Sunway Hotel Penang
sold for RM40 million

Sunway City Berhad exercised its option to purchase 240-room **Sunway Hotel Penang** from ABS Real Estate Sdn Bhd in May 2007 for RM40 million.

Keyword NCER

NCER was launched by the Prime Minister in July 2007 which primarily solidifies Penang's position as the high-tech electronics and logistics hub. High impact projects under NCER include the Penang Global City Centre (PGCC), the Penang Sentral (integrated terminal for rail, road and sea travel), expansion of the Penang airport, Penang Monorail, a microelectronics centre of excellence at USM, and medical tourism for Pulau Jerejak.

- PGCC will be developed on the 104-hectare site in Batu Gantong (Penang Turf Club site) and will be undertaken by Equine Capital Berhad. The main feature will be the two iconic towers with complimenting mixed development. PGCC will have MSC status.
- Penang Sentral is a project aimed at strengthening Penang's role as a logistics hub. MRCB together with Pelaburan Hartanah Bumiputra Berhad are developing a RM2 billion transportation hub on a 12.8 hectare site at the existing Butterworth train/bus/ferry terminal to integrate KTMs rail services, road links and ferry services operated by Penang Port.
- Penang Port is to embark on a RM3.2 billion 405-hectare reclamation project to develop the 4th phase of the North Butterworth Container Terminal (NBCT) to enable Penang in its NCER aims

2008 MARKET OUTLOOK

The short-term outlook within the next two to three years for the commercial property sector is expected to improve gradually in tandem with the consolidation of the economy and business sentiment. However, the improvements in occupancy rates, rentals and market prices of office and retail would be moderated by the oversupply since mid 1990s. On the mainland, the entry of more established retailers and F&B chains has spurred more excitement for shoppers.

The industrial property sector is expected to remain stable as the total industrial investment that Penang received was mainly reinvestments from existing industrialists to enhance their existing operations rather than purchases of land for the establishment of new industrial buildings or acquisition of ready-built industrial buildings.

The residential property sector is expected to continue showing positive promise due to further incentives by the Government such as the exemption of the Real Property Gain Tax (RPGT), and monthly withdrawal from the Account II of the Employee Provident Fund (EPF) for the payment of mortgage instalment, as well as the attractive financing rates offered by the banks coupled with a good choice of developments.

Shopoffices should continue to be more favourable compared to purpose-built office and retail accommodation due to the limited supply in prime locations, and their attractive features such as having accommodation on the ground floor and the advantage of displaying signage.

For the hotel and serviced apartment property sector in Penang, the return of foreign tourists and the strengthening of the country's economy provides a more favourable outlook. However, this sector is not expected to improve significantly in the short term. Prospects in the medium to long term look more promising with the expected economic growth provided that all the concerted efforts by the hotels and government to enhance tourism industry bear fruits and barring any major untoward incidents which may have a negative impact on the hospitality industry.

Perak

At the 2000 census, it was recorded that Perak accommodates almost 9% of the nation's population on 6.4% of the Malaysian land mass.

In the first half of 2007, Perak mustered 19,062 property transactions. The value per transaction at RM98,698 is significantly below the Malaysian average of RM233,175. Note: A 6.3% increase in value per transaction over the corresponding period the previous year.

	Perak	Malaysia
Population	2,051,236	23,274,690
Land Area	21,005 sq km	330,000 sq km
Density	98	71
Ethnicity (Bumiputera:Chinese:Indian:Others)	55:32:13:1	65:26:8:1

Source: 2000 Census, Department of Statistics Malaysia

Total property transactions, H1 2007	19,062	142,163
Total property transactions, H1 2006	21,038	131,321
Total property transactions, 2006	38,932	269,600
Total value, H1 2007	RM2,051.2 million	RM33,335.4 million
Total value, H1 2006	RM1,952.5 million	RM28,813.5 million
Total value, 2006	RM3,864.3 million	RM59,538.1 million
Value per transaction, H1 2007	RM98,698	RM233,175
Value per transaction, H1 2006	RM92,809	RM219,413
Value per transaction, 2006	RM99,256	RM220,839

Source: JPPH, Ministry of Finance

PERAK

As with most other parts of the country, Perak, also recorded an exceptional year for the upmarket residential sector located predominantly in prime locations in Ipoh.

In 2007 the Ipoh Garden locality, Jalan Raja Dr Nazrin Shah (Jalan Gopeng), Tambun and Jalan Kuala Kangsar areas have been identified as hotspots as have some areas outside Ipoh such as the area stretching from Taiping to Kamunting and Kampar. The entry of chain retailers such as Tesco in Taiping and Giant in Kamunting signifies confidence in growing markets outside Ipoh town.

- Ipoh-based developer, Morubina, launched a twin tower project, Kinta Riverfront Hotel and Serviced Suites located next to the Kinta River in Ipoh city.
- The abandoned Menara Syuen has been acquired by Ipoh Tower Sdn Bhd for redevelopment into a 19-storey integrated commercial centre.
- Penang-based Emerald Capital group made its debut in Perak in 2007 with the launch of Perak Tourism Hub in Ipoh. The first phase of this commercial project will comprise serviced apartments and commercial/shopping podium
- In 2007, Bandar Meru Raya was awarded MSC cyber-centre status. The 19-storey Perak Techno-Trade Centre PTTC is equipped with broadband facilities that would serve as the main communication infrastructure for investors in the area.

2008 MARKET OUTLOOK

With agricultural commodity prices expected to remain favourable in 2008, the agricultural sector will lead the property sector in 2008. The demand for oil palm estates as well as smallholdings will continue to be on the rise.

The residential, industrial and commercial sectors will remain stable in 2008.

Negeri Sembilan

At the 2000 census, it was recorded that Negeri Sembilan accommodates over 3.7% of the nation's population on 2% of the total Malaysian land mass.

In the first half of 2007, Negeri Sembilan mustered 8,130 property transactions. The value per transaction at RM150,220 is below the Malaysian average of RM233,175. Note : Almost 10% increase in value per transaction over the corresponding period the previous year

	Negeri Sembilan	Malaysia
Population	859,924	23,274,690
Land Area	6,644 sq km	330,000 sq km
Density	129	71
Ethnicity (Bumiputera:Chinese:Indian:Others)	58:25:16:1	65:26:8:1

Source: 2000 Census, Department of Statistics Malaysia

Total property transactions, H1 2007	8,130	142,163
Total property transactions, H1 2006	7,475	131,321
Total property transactions, 2006	17,380	269,600
Total value, H1 2007	RM1,221.3 million	RM33,335.4 million
Total value, H1 2006	RM1,021.8 million	RM28,813.5 million
Total value, 2006	RM2,398.1million	RM59,538.1 million
Value per transaction, H1 2007	RM150,220	RM233,175
Value per transaction, H1 2006	RM136,700	RM219,413
Value per transaction, 2006	RM137,978	RM220,839

Source: JPPH, Ministry of Finance

The 2007 property market in Negeri Sembilan recorded a decidedly stable overall market with limited opportunities for investment at the more established areas albeit the agricultural sector recorded an active market due to the favorable CPO & FFB prices. The townships of Seremban 2 and Bandar Enstek in Labu have garnered considerable media coverage over the year.

In a major takeover bid, the State Government took full control of the RM70 million 228-room 11.7 hectare Allson Klana Resort Seremban via an asset swap.

Allson Klana Resort Seremban taken over by State Government

Confidence in the commercial market was boosted by several leasing/transactions indicating an optimistic market.

- An educational campus (Open University) recently occupied a low-rise commercial building at Jalan Datuk Bandar Tunggal, which was purchased in late 2006
- ECM Libra Investment Bank took two shoplots at Jalan Tuanku Munawir
- Guardian (the pharmacy group) opened a new outlet at BizAvenue - located opposite Jusco Seremban 2.
- Retail conglomerate, Giant, is now occupying a purpose-built facility at Bandar Putra Nilai.
- Tesco purchased a 12.5 acre commercial parcel at Taman Bukit Kepayang at RM22.2 million (@RM41 per sq ft)

Keyword Bandar Enstek

Bandar Enstek is a RM9.2 billion 5,116 acre integrated township jointly developed by PKNNS and TH Properties Sdn Bhd. It is located minutes away from KLIA. It was initiated in 1999 and in 2007 major initiatives were launched at Bandar Enstek:

- Regional hub for educational excellence, Kuala Lumpur Educational City (KLEC) identified a 405 hectare site at Bandar Enstek to attract 100,000 international students. Slated for completion in 2011, the campus will provide a "shared services" model involving a service charge per head and a lease or rent agreement for the premises to lower the capital expenditure for initial setting up operations

- An aircraft park has been mooted to focus on maintenance or aircraft growth of aviation activity. TH Properties Sdn Bhd will invest RM100 million on this initiative taking advantage of the location proximity to KLIA

- A Medical City, has been identified at Bandar Enstek to boost health tourism. The RM17 billion medical city facility has been initiated. TSR Captial Berhad acquired about 65 hectares of land in Bandar Enstek at around RM60 million.

- TH Properties Sdn Bhd launched a special residential package to investors at Bandar Enstek under the Malaysia My Second Home (MM2H) programme.

- Four biotechnology companies purchased industrial parcels of land worth RM10.8 million at Bandar Enstek creating a prominent cluster at the industrial zone

2008 MARKET OUTLOOK

The prospect of the ERL continuing its line to Seremban, Nilai and Port Dickson is expected to set-off a ripple effect for developments surrounding the stations. It is anticipated that the high-end public transport accessibility will induce a price increment for real estate properties surrounding the stations as well as within the rail corridors.

The agricultural sector is expected to be bullish due to expected favourable commodity prices whilst the residential, office and hospitality sectors are expected to remain stable due to low or stable rental levels.

Melaka

At the 2000 census, it was recorded that Melaka accommodates almost 3% of the nation's population on 0.5% of the Malaysian land mass.

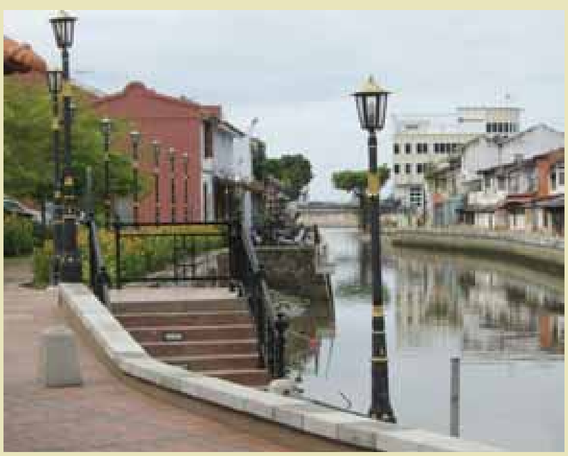
In the first half of 2007, Melaka mustered 6,108 property transactions. Just over 50% of the total value of transactions is attributed to the residential sector. The value per transaction at RM120,201 is significantly below the Malaysian average of RM233,175. Note: A 10.1% decrease in value per transaction over the corresponding period the previous year.

	Melaka	Malaysia
Population	635,791	23,274,690
Land Area	1,652 sq km	330,000 sq km
Density	385	71
Ethnicity (Bumiputera:Chinese:Indian:Others)	64:29:7:1	65:26:8:1

Source: 2000 Census, Department of Statistics Malaysia

Total property transactions, H1 2007	6,108	142,163
Total property transactions, H1 2006	6,210	131,321
Total property transactions, 2006	12,704	269,600
Total value, H1 2007	RM734.19 million	RM33,335.4 million
Total value, H1 2006	RM803.39 million	RM28,813.5 million
Total value, 2006	RM1,848.4 million	RM59,538.1 million
Value per transaction, H1 2007	RM120,201	RM233,175
Value per transaction, H1 2006	RM133,718	RM219,413
Value per transaction, 2006	RM145,495	RM220,839

Source: JPPH, Ministry of Finance



Melaka River Walk

A fairly subdued year for the Melaka property market scene in 2007 with some improvements in the commercial and agricultural sectors due to higher rental returns and good commodity prices respectively.

The residential sector remains the stalwart contributing to over half of all transactions recorded in the state. The residential rental market has been significantly active in areas surrounding educational institutions and industrial estates. Several exclusive high-end residential projects have been launched - with semi-detached houses priced from a new Melaka record high exceeding RM500,000.

Some excitement for the retail sector where new local and foreign players came knocking into the Melaka market as Mydin acquired land for a new complex in the Malacca International Trade Centre in Ayer Keroh; and Carrefour opened its doors in early 2008 at Padang Pahlawan Megamall; whilst Tesco is opening its second outlet in Melaka in 2009 in Cheng. The Hundred Billion Heritage Square comprising 135 units of boutique retail/office units was launched in 2007 located adjacent to the Portuguese Settlement. The newly completed commercial strip at Taman Bukit Piatu Mutiara is evolving into a textile and home furnishing precinct whilst the prime commercial strips in Melaka Raya, Bacang, Malim and Cheng enjoyed favourable occupancy rates.

Industrial activity at Cheng, Krubong and Ayer Keroh remained energetic predominantly due to better infrastructure in these areas. German industrialist, Muhkbauer AG invested RM70 million for a new chip plant in Ayer Keroh whilst Minolta is currently constructing its 2nd facility in the area. A 100-acre site is being developed in Ayer Keroh as Melaka Autocity to accommodate showrooms, go-kart arenas and motorcross circuits. Outside Ayer Keroh, Actis Biologis, a US-based biotech firm will develop a 113 hectare biotech park in Alor Gajah; and in Serkam a RM9.1 million 2-hectare Halal Hub Industrial Park.

Melaka

The hospitality industry received much excitement

- The 4-star 270-room Holiday Inn was opened in October 2007

Melaka Holiday Inn

- Hotel Lisbon at the Portuguese Settlement commenced business in 2007
- Plaza Inn Hotel has been acquired by the state government and to be refurbished
- Melaka Historic City Council will undertake to develop a 120-room hotel at Jalan Tun Ali
- Several boutique hotels are being developed along the Malacca river such as Majestic Hotel and Casa del Rio Hotel & Suites as well as the RM1.5 billion 5-star boutique Empayar Mudzaffar Hotel in Ayer Keroh
- Part of the 264-hectare Golden Valley Golf Resort was placed for sale by tender in the 4th quarter 2007
- Daibochi Land Sdn Bhd acquired 3.66-hectare commercial land in Taman Kota Laksamana for RM11.03 million

Melaka Majestic Hotel

2008 MARKET OUTLOOK

Infrastructure "newbees" is expected to enhance the commercial and tourism sectors in the state through government initiatives that are underway. The new connection between Melaka and Johor through the RM505 million Melaka / Muar 4-lane road has opened opportunities for the state which will be further enhanced with the proposed bridge to Sumatra together with the integrated township/industrial Warisan Heritage. Infrastructure facilities will be an additional bonus with a new coastal road from Umbai to Tanjong Kling that is expected to ease traffic congestion in Taman Melaka Raya and Jalan Tengkera/Klebang.

Albeit a modest downturn is expected in general due to an expected slower economic growth.

Johor

At the 2000 census, it was recorded that Johor accommodates almost 12% of the nation's population on 5.7% of the total land area.

In the first half of 2007, Johor mustered 19,242 property transactions (accounting for 13.4% of total transactions recorded in the country during the period). The value per transaction at RM204,696 is below the Malaysian average of RM233,175 and the 5th highest average value per transaction in the country. Note: A 5.7% increase in value per transaction over the corresponding period the previous year

	Johor	Malaysia
Population	2,740,625	23,274,690
Land Area	18,987 sq km	330,000 sq km
Density	144	71
Ethnicity (Bumiputera:Chinese:Indian:Others)	57:35:7:1	65:26:8:1

Source: 2000 Census, Department of Statistics Malaysia

Total property transactions, H1 2007	19,242	142,163
Total property transactions, H1 2006	17,712	131,321
Total property transactions, 2006	38,134	269,600
Total value, H1 2007	RM3,938.7 million	RM33,335.4 million
Total property transactions, H1 2006	RM3,430.9 million	RM28,813.5 million
Total property transactions, 2006	RM6,937.1 million	RM59,538.1 million
Value per transaction, H1 2007	RM204,696	RM233,175
Total property transactions, H1 2006	RM193,710	RM219,413
Total property transactions, 2006	RM181,195	RM220,839

Source: JPPH, Ministry of Finance

An upbeat year in 2007 which is expected to lead to a considerably bullish year in 2008 for the property industry in Johor. The special economic zone, Iskandar Development Region (IDR), has managed to gain considerable interest in the state by both local and foreign interests. It has been reported (*Utusan Melayu, 18th September 2007*) that Johor received a total RM5.9 billion in investments between January and August 2007 of which RM4.63 billion came from foreign interests. This is reflected in the bullish and upbeat tone to the market as a whole. Both the residential and industrial markets have taken the lead primarily due to increasing market and IDR interests respectively.

In 2007 there was significant activity in Nusajaya/Pulai, Senai and a "new satellite" commercial township along Jalan Tan Swee Hoe in Batu Pahat, reflecting a positive and growing market.

In what was believed to be a primarily Klang Valley based market, **REITs** entered the Johor market in 2007 through Mapletree, Axis and Atrium REITs interest in industrial properties in Port of Tanjung Pelepas, Senai and Pasir Gudang.

Similarly, confidence in the **retail market** is reflected in the continued expansion by retailers namely Tesco, Carrefour, AEON and Ikea.

- Tesco entered into a 30-year lease for a 9.69 acre site to operate a hypermarket in Pulai.
- AEON Co (M) Berhad acquired a 37.78 acre site in Bukit Indah for RM106.97 million to develop a shopping centre
- Swedish based furniture retailer, Ikea, acquired a 36.94 acre site in Desa Tebrau for RM64.366 million to set up its second outlet in the country.
- The world's first halal supermarket undertaken by the Globex Consulting Group is expected to open in Johor Bahru promoting the products from local halal food manufacturers.
- Sutera Mall, currently under construction, is a 3-storey mall with a gross floor area of about 600,000 square feet and more than 1,500 parking lots. Located in Taman Sutera Utama this new retail centre is expected to be completed by July 2008 with Carrefour as the anchor tenant.

Johor

The Pacific Hypermarket group entered the Batu Pahat market at the newly opened Batu Pahat Mall in the 1st quarter of 2007. Located at Jalan Kluang accommodating 260 shop units and 7 cineplexes, the developer is optimistic to add serviced apartments and a 4-star hotel to its complex. The new satellite township along Jalan Tan Swee Hoe in Batu Pahat witnessed increasing numbers of commercial precincts in Taman Maju, Taman Setia Jaya and Taman Flora Utama.

The Batu Pahat market is now large and mature enough to justify

- a state-of-the-art purpose-built Toyota Showroom & Service Centre along Jalan Rugayah.
- a 70-acre modern Memorial Park located between Muar and Batu Pahat at Jalan Parit Sulong/Pagoh

Industrial activities in Johor is expected to create and open pioneering possibilities in the state. In an unprecedented uplift since 2000, the industrial sector in Johor witnessed the following:

- MMC Corporation Berhad together with Dubai World will explore opportunities for the development of a maritime centre comprising oil terminal activities, drydocks, shipyard, and logistics parks in South Johor at MMCs landbank at Tanjung Bin.
- Qatar Airways Cargo commenced a freight service to Senai International Airport.
- Tanjung Langsat commenced full cargo-handling capabilities with the first shipment of bio-diesel products. To cope with the traffic, a 20,000 tonne tank farm facility will be developed within the port area.
- US-based oilfield service provider, Haliburton Co, is investing RM100 million in a new manufacturing plant in Senai.
- Asia Petroleum Hub was established on a reclaimed island off Tanjung Bin to meet the demand for storage which is expected from the spillover effect of the IDR. The RM1.4 billion terminal is expected to be completed in 2009.
- Lion Corporation Japan is investing RM300 million in a new bio-chemical plant in Tanjung Langsat and operations expected to commence by 4th quarter 2008.
- HG Metal Manufacturing Ltd purchased 5 industrial lots (10.6 hectares) in Nusajaya Industrial Park for RM23.95 million to build a manufacturing plant with warehousing facilities
- Dialog Group Berhad entered into a 30-year concession to develop a world-class centralized tankage facility and tank terminal at Port of Tanjung Pelepas

To support the developments in the state, **infrastructural and recreational** facilities will be upgraded in the state. These include:

- Eastern Dispersal Link (EDL) expressway. The RM977 million EDL stretches 8.1 km from the CIQ complex in Tanjung Puteri and the NSE via the Pandan interchange. It is expected to be completed in 2011
- A RM110 million 3-tier interchange will be built in Senai to ease the traffic flow to the airport and expected to be completed in 2010.
- A RM 40 million facelift for the Johor Bahru CBD along Jalan Wong Ah Fook and Jalan Trus to be undertaken by Arus Barisan Sdn Bhd
- The 28-year old landmark of JB, KOMTAR, will get a RM55 million facelift by 2009, with an increase in the floor space by almost 30% and a link with the CIQ complex.
- The 2.4 kilometre Lido beach (49.37 hectare beachfront site known as Lido Boulevard) will be upgraded and developed with landscaped gardens, waterfront office suites and luxury condominiums undertaken by Central Malaysian Properties Sdn Bhd.
- Terminal Feri Minyak Beku Batu Pahat was opened in May 2007 offering ferry services between Batu Pahat and Tanjung Balai Karimun in Indonesia. The service will be extended to cover Batam and Bengkalis

New and innovative residential developments are increasingly making its entry into the state:

- Bina Meganmas Sdn Bhd has acquired a 74.7 acre freehold site in Plentong at RM47.82 million to develop a gated & guarded bungalow precinct
- Ekovest introduced the most exclusive private residential development in the country on the 28 hectare Danga Island. Ekovest launched 160 units of high-end villas priced between RM4 million and RM15 million

Acquisition of the year 2007

The RM94.709 million acquisition of Kompleks Lien Hoe, a commercial building constructed in 1984 with a NLA of approximately 652,000 sq ft. Perduren (M) Berhad acquired the asset from LH Commercials Pte Ltd.

Kompleks Lien Hoe

Keyword IDR

The development of Node 1 - the first IDR integrated international city will be developed by a consortium led by Mubadala Development Company, Kuwait Finance House and Millennium Development International Company investing RM4.1 billion initial land and infrastructure. Aldar Properties PJSC, a leading Abu Dhabi-based developer undertakes to act as the Master Development Manager for Node 1.

2008 MARKET OUTLOOK

The Iskandar Development Region (IDR) has taken off with numerous new announcements primarily headed by the commencement of infrastructure projects. In 2008, the new administrative centre in Nusajaya and the CIQ complex will be completed. Furthermore, the road linking JB town to the administrative centre and the coastal highway to Pasir Gudang/ Permas Bridge will commence. With these initiatives in fruition in 2008, the confidence in the property market will create added demand for the industrial sector from FDI's. Potential for development land is also expected to improve further. The growing sentiments towards the end of 2007, will be solidified in 2008.

The residential sector is expected to witness more households heading for an upgrade through the increasing purchasing power and hence developers can afford to introduce higher end residential units to cater for this demand.

The hospitality sector will continue to improve and opens the opportunity for better quality accommodation for this sector.

Pahang

At the 2000 census, it was recorded that Pahang accommodates almost 6% of the nation's population on 11% of the total Malaysian land area.

In the first half of 2007, Pahang recorded 6,689 property transactions. The value per transaction at RM153,871 is significantly below the Malaysian average of RM233,175. The agricultural sector accounts for 30% of all transaction values (on par with residential transactions) in Pahang. Note : Over 19% increase in value per transaction over the corresponding period the previous year, largely attributed to the agricultural sector which recorded a 60% increase in total agricultural transactions over the corresponding period in 2006.

	Pahang	Malaysia
Population	1,288,376	23,274,690
Land Area	35,965 sq km	330,000 sq km
Density	36	71
Ethnicity (Bumiputera:Chinese:Indian:Others)	77:17:5:1	65:26:8:1

Source: 2000 Census, Department of Statistics Malaysia

Total property transactions, H1 2007	6,689	142,163
Total property transactions, H1 2006	6,886	131,321
Total property transactions, 2006	13,018	269,600
Total value, H1 2007	RM1,029.24 million	RM33,335.4 million
Total value, H1 2006	RM 890.26 million	RM28,813.5 million
Total value, 2006	RM1,850.12 million	RM59,538.1 million
Value per transaction, H1 2007	RM153,871	RM233,175
Value per transaction, H1 2006	RM129,286	RM219,413
Value per transaction, 2006	RM142,120	RM220,839

Source: JPPH, Ministry of Finance

Based on national transactional records it is reasonable to understand that both residential and agricultural sectors are identified as the most active sectors in the property market. Firstly because of the affordable housing available in the state and the secondly because of the exceptionally high CPO & FFB prices and oil&gas activities that is driving the state economy.

Kuantan is identified as the most active district in terms of residential transactions. Hotspots have been identified in Sri Kuantan, Kubang Buaya, Alor Akar, Tok Sira, Pelindong, Air Putih, Galing, Bukit Sekilau , Teruntum, Bukit Setongkol and Indera Mahkota which are established locations with easy accessibility to town and amenities. The areas surrounding Berjaya Megamall has gained momentum with the impending completion of Perdana Avenue and the adjacent Putera Square.

Two local retailers, Tunas Mart and Eng Hong Hypermart have opened outlets at Jalan Gambang whilst retailers, Carrefour and Parkson are expected to occupy Putra Square Kuantan indicating an optimistic market.

The industrial sector played a small part in the property market albeit some notable expansions were observed in the oil, gas & steel industries; Kinsteel & Jikang plants, BASF Petronas Chemical, PPSC/Wah Seong and KNM Steel plants at Gebeng.

The agricultural sector has played an important role in the State economy. There has been a significant increase in transaction volumes and values of agricultural smallholdings and estates in Pahang. Existing estate players were noted to be mainly involved in purchase and acquisitions to expand their plantations whilst smallholdings were quite well sought after by smaller investors caught in the current oil palm craze.

2008 MARKET OUTLOOK

The spill-over effect of the Visit Terengganu Year 2008 is expected to augur well for the Pahang hospitality sector whilst the industrial sector is expected to see some expansions.

With positive FFB&CPO prices, the agricultural sector will hold on its dominance in the market to lead the property sector together with the residential sector.

The recent launch of the East Coast Economic Region (ECER) by the Prime Minister augurs well for the property sector in Pahang. Targeted industries include oil & gas, tourism, technology parks, halal hub, biotechnology, ICT and agro-centres. Although the ECER initiative is a regional Master Plan, optimism is high that PETRONAS will be entrusted to spearhead and coordinate the development and that it should further boost investment, economic and development activities.

Kelantan & Terengganu

At the 2000 census, it was recorded that the two north-eastern states of the Peninsular accommodate just under 10% of the nation's population on 8.5% of the total Malaysian land mass.

In the first half of 2007, the value per transaction in Kelantan and Terengganu was RM45,611 and RM59,902 respectively - ranked the lowest values per transaction in the country.

Contributing towards the total transaction values in both states are the residential and agricultural sectors, albeit at varying levels. In Kelantan, almost one-third of all transactions were from the agricultural sector, whilst in neighbouring Terengganu the agricultural sector only mustered 17% of total transactions. The residential sector in Terengganu provides over half of all transactions; in Kelantan the residential sector only contributed 38% of all transactions.

	Kelantan	Terengganu	Malaysia
Population	1,313,014	898,825	23,274,690
Land Area	15,024 sq km	12,955 sq km	330,000 sq km
Density	87	69	71
Ethnicity (Bumiputera:Chinese:Indian:Others)	95:3:1:1	96:3:0.5:0.5	65:26:8:1

Source: 2000 Census, Department of Statistics Malaysia

Total property transactions, H1 2007	3,841	7,261	142,163
Total property transactions, H1 2006	2,847	7,077	131,321
Total property transactions, 2006	5,704	13,018	269,600
Total value, H1 2007	RM175.2 million	RM434.9 million	RM33,335.4 million
Total value, H1 2006	RM197.6 million	RM419.0 million	RM28,813.5 million
Total value, 2006	RM351.2 million	RM885.9 million	RM59,538.1 million
Value per transaction, H1 2007	RM45,611	RM59,902	RM233,175
Value per transaction, H1 2006	RM69,396	RM59,209	RM219,413
Value per transaction, 2006	RM61,567	RM63,689	RM220,839

Source: JPPH, Ministry of Finance

The property market remained relatively stable in both Kelantan and Terengganu in 2007 where both the residential and commercial sectors led the market. The entry of Tesco, McDonalds, Mydin and Giant as well as the opening of a new Al-Rajhi bank and the relocation of Public Bank and Bank Islam lent some excitement to Kota Bharu and Kuala Terengganu.

Terengganu was conferred city status in 2007 and will be the host of SUKMA 2008.

Kelantan

Commercial activity was led by the new shophouse developments in Bandar Baru Kubang Kerian, Wakaf Che Yeh, Bandar Baru Tunjong and Jalan Sultan Yahya Petra, where it is also reported that more units are due for completion in 2008/2009.

Banking facilities are being established in the state where:

- Public Bank relocated to Jalan Kebun Sultan on a 15-year lease for 5 units of 3-storey shophouses
- Bank Islam Malaysia Berhad, with its newly rebranded look, similarly relocated to Bandar Baru Kubang Kerian occupying a 3-storey shophouse whilst the Wakaf Siku branch relocated to Jalan Sultan Yahya Petra.
- Al-Rajhi Bank opened a new facility also at Jalan Sultan Yahya Petra

The entry of an international hypermarket into the state certainly augurs well where Tesco Hypermarket has anchored itself at the Kota Bharu Waterfront development; and Giant Hypermarket has entered into an agreement with EC Alamjaya for a sizable space at the KB Trade Centre. At Bandar Baru Kubang Kerian, a local retailer, Nirwana Emporium entered into a15-year lease for a 2½-storey supermarket.

At Bandar Baru Tunjong, 139 units of 2½-storey shops was launched by Creative Spring Sdn Bhd at prices starting from RM660,000.

Terengganu

Commercial activity was given the boost with the opening of McDonalds at the Paya Bunga Business Centre; whilst Pusat Niaga Paya Keladi was opened comprising 37 units of 2-4 storey shops. Both retailers Mydin Wholsesale Emporium and Giant opted for premises at Jalan Sultan Mohamad - adding to the fervent activity along the stretch.

In 2007, the country's first plastic park identified its home at Kertih - Kertih Plastic Park (KPP). KPP is expected to attract RM1.3 billion in investments and falls under the ECER Masterplan.

East Coast Economic Region (ECER)

Land Area: 66,736 sq km

Aim : International positioning of an ECER Gateway to accelerate the growth of east coast states - carried out through the introduction of high impact catalytic projects to spur development

Launched on 29th October 2007 by the Prime Minister.

2008 MARKET OUTLOOK

A significant year in terms of tourism for both Kelantan and Terengganu where both states are facilitating Visit Year 2008 campaigns. In addition Terengganu will be hosting the SUKMA2008.

Meanwhile the commercial and residential sectors will continue to gain favourable demand in Kelantan and Terengganu as well as expectation of higher demand for development land within close proximity to Kota Bharu and Kuala Terengganu.

Sabah

At the 2000 census, it was recorded that Sabah accommodates over 11% of the nation's population on 22% of the total Malaysian land mass. Sabah is the second largest state in the nation after Sarawak.

In the first half of 2007, Sabah mustered 4,229 property transactions. Almost one-third of the total value of transactions in the state are attributed to the agricultural sector whilst the residential sector contributes to under one-third of all transactions. The value per transaction at RM294,758 is above the Malaysian average of RM233,175 . This is largely attributed to average agricultural transaction of RM325,776.

	Sabah	Malaysia
Population	2,603,485	23,274,690
Land Area	73,619 sq km	330,000 sq km
Density	35	71
Ethnicity (Bumiputera:Chinese:Indian:Others)	80:13:1:6	65:26:8:1

Source: 2000 Census, Department of Statistics Malaysia

Total property transactions, H1 2007	4,229	142,163
Total property transactions, H1 2006	4,904	131,321
Total property transactions, 2006	9,590	269,600
Total value, H1 2007	RM1,246.53 million	RM33,335.4 million
Total value, H1 2006	RM1,662.76 million	RM28,813.5 million
Total value, 2006	RM2,778.32 million	RM59,538.1 million
Value per transaction, H1 2007	RM294,758	RM233,175
Value per transaction, H1 2006	RM339,062	RM219,413
Value per transaction, 2006	RM289,710	RM220,839

Source: JPPH, Ministry of Finance

It was a generally optimistic year for the state in 2007 supported by favourable tourism and tourism related activities as well as the favourable commodity prices that support the oil palm industry in the state.

With the introduction of low cost travel to and from Sabah, the hospitality sector has been stimulated by an influx of tourists that has similarly had its spillover effect on the retail sector. In 2007, the Kota Kinabalu International Airport (KKIA) was facilitated with a LCCT and completion of renovations and expansion works for Labuan Airport. The hospitality sector has been identified as the most active sector due to major on-going, planned and proposed projects slated for Kota Kinabalu.

Outside Kota Kinabalu, the agricultural sector led primarily by the oil palm sector breached the highest transacted prices for oil palm land at RM76,000 per hectare (@RM30,855 per acre) in Tawau. The bull run of the oil palm sector (CPO & FFB prices were up to unprecedented RM3,000 and RM600 per tonne respectively in 2007) has attracted more investors into the sector (a contributing factor to the significantly high value per transaction recorded in the state).

In **Kota Kinabalu**, more city centre projects were initiated in 2007 namely Karamunsing Capital, KK Times Square Phase 2, South China Sea Place - these are in addition to on-going projects such as Harbour City and KK Times Square Phase 1. Projects outside the city include 1Borneo Hypermall, Kingfisher Palm Homes at Jalan KK-Sulaman as well as in Kepayan due to the expansion of KKIA and road improvements along Jalan KK-Kepayan. The completion of the new Sepangar Bay Container Port has created greater demand for lands in the surrounding locality for warehousing/logistics purposes.

High-end gated & guarded residential resort developments have reached the shores of Sabah with the launch of d'Bayan Residency @ Sutera, Prince Tower, Peak Suites and Hing Tower - all launched in 2007.

The construction of the largest mall in East Malaysia, 1Borneo Hypermall, is an integrated development offering condominiums, 168-room Tune Hotel, 160-room Best Western Courtyard Hotel, 341-room Mercure Hotel and 263-room Novotel 1Borneo; and a retail podium mall. 1Borneo Mall is set to be the commercial hub in the northern corridor of Kota Kinabalu.

Leading retailer, Giant, has also made its entry into the state as the anchor of the newly completed City Mall in Luyang as well as pre-leased a hypermarket at Taman BDC in Tawau.

Sabah

The POIC in Lahad Datu has placed the town on high gear due to higher world demand, bio-diesel prospects and sustained CPO prices. Prices for planted oil palm estates were transacted at RM65,000 per hectare in prime locations and RM50,000 per hectare in secondary locations. As such, the significant increase in prices for residential units managed to record brisk sales rates for new launches during the year at Sri Perdana Ph4A, Ming Garden and Bandar Seri Gemilang. Generally, retail units, shophouses and shopping centres are fully occupied and have been typified as "seller's market".

At the POIC Lahad Datu, two biodiesel plants are currently under construction namely SPC Biodiesel and Global Biodiesel. Almost 180 units of light industrial factories/warehouses are currently under construction to accommodate the POIC-related vendors.

A record year also for Labuan where two sizable transactions were recorded:

- The RM15 million sale of Wisma Oceanic to Labuan Corporation.
- The RM32 million sale of the 5-star rated Sheraton Labuan Hotel to the Hong Kong-based Dorsett group. The hotel has since been renamed Grand Dorsett Labuan Hotel Malaysia.

Unprecedented plantation transaction

CK Bumijaya acquired Teck Wai Plantation Sdn Bhd oil palm estates at RM5.5 million for a 178.25 acre estate. This is a record breaking transaction at RM76,000 per hectare or RM30,855 per acre located at Sungai Burung, Tawau.

2008 MARKET OUTLOOK

The proposed POIC Seguntor in Sandakan and POIC Lahad Datu is expected to take the lead for the state. The anticipated hype to be created by the oil-palm related activities will result in creation of jobs and business opportunities due simply to the sheer size of the industry.

The launch of the Sabah Development Corridor in January 2008 by the Prime Minister has also identified Tawau as the food & marine production centre in Sabah which will be an added impetus for the interior of Sabah.

In Kota Kinabalu, well-located high-end residential developments will be in demand due to the current limited supply; whilst the increasing visitor arrivals through KKIA will create larger demand for hospitality related developments.

Albeit, the prevailing commodity prices of oil palm and robust hotel construction activities will lead the property sector in Sabah.

Sarawak

At the 2000 census, it was recorded that Sarawak accommodates almost 9% of the nation's population on 38% of the total Malaysian land mass. Sarawak is the largest state in the country and hence with the lowest population density at 17 persons per sq km.

	Sarawak	Malaysia
Population	2,071,506	23,274,690
Land Area	124,450 sq km	330,000 sq km
Density	17	71
Ethnicity (Bumiputera:Chinese:Indian:Others)	73:26:0.5:0.5	65:26:8:1

Source: 2000 Census, Department of Statistics Malaysia

Except for the retail complex sector, the Sarawak property market generally experienced less market activities in 2007 in terms of new launches and units under construction, although there are exceptions for the major towns of Kuching, Kota Samarahan, Sibu, Bintulu and Miri (refer to Tables 1, 3, and 5). But prices of newly launched units were generally higher than those launched in 2006, notwithstanding the increase in stock of unsold completed units, particularly the higher end units.

However, there was a revival of the retail sector for Sarawak for 2007 which witnessed the completion of several sizeable shopping malls - Boulevard Mall (opened for business in December 2007) and The Spring (opened for business in January 2008) in Kuching; Delta Mall (opened for business in December 2007) in Sibu; Parkcity Mall (opened in June 2007), Farley Mall (opened in July 2007) and Sing Kwong Supermarket (opened in December 2006) in Bintulu with a few more due for completion within the next years - Novotel, Green Heights Mall and the Four Seasons Sheraton in Kuching, and the Bintang Jaya extension in Miri.

Table 1 New housing units 2007

Region	Type	Units completed	Units Under Construction	Units Launched 2007	Units construction Started 2007
Kuching	SS terraced	650 (1158)	1024 (913)	261 (1039)	752 (613)
	DS terraced	1245 (1029)	1288 (1569)	913 (980)	973 (837)
	SS semi-detached	207 (168)	196 (261)	142 (125)	142 (153)
	DS semi-detached	378 (319)	508 (510)	418 (242)	376 (216)
	DS quadruplex	504 (0)	0 (504)	0 (0)	0 (0)
	Total	2984 (2674)	3016 (3757)	1734 (2386)	2243 (1819)
Samarahan	SS terraced	997 (1157)	1400 (1684)	1353 (277)	713 (846)
	DS terraced	401 (338)	172 (456)	133 (263)	117 (196)
	SS semi-detached	106 (177)	80 (140)	70 (38)	46 (66)
	DS semi-detached	90 (36)	26 (112)	4 (68)	4 (28)
	Total	1594 (1708)	1678 (2392)	1560 (646)	880 (1136)
Sibu	SS terraced	279(197)	694(442)	188(883)	531(333)
	DS terraced	833(849)	1479(1740)	487(1007)	572(964)
	SS semi-detached	22(0)	50(30)	14(68)	42(26)
	DS semi-detached	339(149)	460(569)	190(282)	230(256)
	Total	1473(1195)	2683(2781)	879(2240)	1375(1579)
Bintulu	SS terraced	43 (48)	149 (32)	160 (35)	160 (35)
	DS terraced	211 (167)	124 (311)	24 (129)	24 (117)
	SS semi-detached	0 (0)	0 (0)	8 (0)	0 (0)
	DS semi-detached	70 (119)	57 (127)	28 (46)	0 (28)
	Total	324 (334)	330 (470)	220 (210)	184 (180)
Miri	SS terraced	387 (1364)	985 (636)	229 (722)	736 (444)
	DS terraced	407 (219)	268 (453)	121 (256)	222 (194)
	SS semi-detached	166 (134)	199 (157)	199 (96)	208 (88)
	DS semi-detached	274 (96)	212 (363)	100 (268)	123 (215)
	Total	1234 (1813)	1664 (1609)	649 (1342)	1289 (941)
Grand Total	7609 (7724)	9371 (11009)	5042 (6824)	5971 (5655)	

** Figures in ( ) denotes whole year figures for 2006*

SARAWAK

Sarawak

Table 2 Selling prices of houses launched in 2007 (RM)

Type	Kuching	Samarahan	Sibu	Bintulu	Miri
SS terraced - Int.	133,800 - 198,000	90,000 - 150,000	148,000 - 186,000	40,000 - 205,000	88,000 - 188,000
SS terraced - corner	168,800 - 258,000	125,000 - 185,000	185,000 - 220,000	47,000 - 295,000	172,000 - 268,000
DS terraced - int.	209,800 - 408,800	208,000 - 250,000	230,000 - 310,000	218,000 - 228,000	92,888 - 288,000
DS terraced - corner	250,000 - 574,800	230,000 - 330,000	285,000 - 380,000	250,000 - 295,000	From 260,000
SS semi-detached	154,800 - 272,000	From 210,000	238,000 - 310,000	245,000 - 351,000	208,000 - 348,000
DS semi-detached	363,000 - 750,000	345,000	355,000 - 468,000	295,000 - 310,000	408,000 - 688,000
Detached plot	200 - 550 psm	200 psm	N/A	NA	300 - 400 psm

Table 3 Shop-offices/Shop-houses 2007

Region	Type	Units completed	Units Under Construction	Units Launched 2007	Units construction Started 2007
Kuching	1-storey shop	0 (0)	0 (0)	0 (0)	0 (0)
	2-storey shop	10 (2)	0 (10)	0 (35)	0 (0)
	3-storey shop	175 (263)	400 (358)	147 (246)	217 (178)
	4-storey shop	66 (89)	72 (92)	53 (6)	46 (6)
	Total	251 (354)	472 (460)	200 (287)	263 (184)
Samarahan	3-storey shop	31 (18)	16 (31)	16 (0)	16 (0)
	4-storey shop	10 (0)	0 (10)	0 (20)	0 (0)
	Total	41 (18)	16 (41)	16 (20)	16 (0)
Sibu	2-storey shop	87(10)	43(87)	49(43)	43(43)
	3-storey shop	0(17)	186(76)	91(144)	110(47)
	4-storey shop	47(44)	11(58)	0(18)	0(19)
	Total	134(61)	240(221)	140(205)	153(109)
Bintulu	3-storey shop	30 (186)	166 (190)	0 (96)	6 (190)
	4-storey shop	7 (0)	0 (7)	0 (7)	0 (7)
	Total	37 (186)	166 (197)	0 (103)	6 (197)
Miri	2-storey shop	32 (52)	48 (80)	0 (32)	0 (21)
	3-storey shop	18 (117)	63 (81)	0 (21)	0 (31)
	Total	50 (169)	111 (161)	0 (53)	0 (52)
Grand Total		513 (788)	1005 (1080)	356 (668)	438 (542)

Table 4 Selling prices of shop-offices/shop-houses 2007 (RM)

Region	2-storey int	2-storey corner	3-storey int	3-storey corner	4-storey int	4-storey corner
Kuching			830,000-1,450,000	From 980,000	1,080,000	1,580,000
Samarahan	-	-	528,800-628,800	718,800-866,800	-	-
Sibu	295,000+	350,000+	630,000 - 700,000	750,000-880,000	-	-
Bintulu	-	-	-	-	-	-
Miri	From 366,000	560,000 - 680,000	From 510,000	From 800,000	-	-

Table 5 Semi-detached industrial units 2007

Type	Units completed	Units Under Construction	Units Launched
Kuching	0 (128)	64 (22)	20 (120)
Sibu	46 (144)	56 (52)	50 (40)
Bintulu	0 (0)	24 (24)	58 (0)
Miri	30 (0)	12 (30)	10 (72)
Total	76 (272)	156 (128)	138 (232)

Table 6 **Selling prices of semi-detached industrial units launched in 2007**

Region	Land size (sm)	Built-up area (sm)	Selling prices (RM)
Kuching	NA	216.3	460,000
Sibu	From 690	223	From 435,000
Bintulu	517 - 1692	644 - 915.30	550,000 - 720,000
Miri	475 - 790	135 - 496	256,000 - 530,000

Table 7 **3-star and above hotels**

Region	Existing hotels	(no./rooms)	Under Construction	(no./rooms)	Proposed	(no./rooms)
Kuching	15	2,950	2	748	2	535
Sibu	5	792	1 **	230	0	0
Bintulu	2	386	0	0	1	No Data
Miri	6 *	1,114	1	176	1	No Data

*Note : * 1 service apartment upgraded to hotel*
*** Sibu Kingwood Hotel's extension*

2008 MARKET OUTLOOK

Against the risk of slower economic growth and the threat of all-round higher inflation, 2008 is expected to be another year of consolidation for the Sarawak property market.

Buying sentiments in the housing sector is expected to be dampened by the uncertainty of the quantum of increase of petrol price in 2008. Fresh buying demand is unlikely to enter the housing market until after the Federal Government announcement of the increase in petrol price. New house prices are likely to remain stable at high levels due to the rising cost of building materials and labour. Sale launches of new housing projects are not expected to differ much in numbers from 2007.

Apart from the on-going construction of a few retail complexes and the possibility of the start of construction of another new megamall in Kuching, activities in the retail sector are also expected to be quiet and slow.

For the industrial sector, 2008 would be another quiet year.

By the end of 2008, the completion of one or two new hotels and the start of construction of more hotels in Kuching is expected.

C H Williams Talhar & Wong

Established in 1960, and with a network of 25 offices
C H Williams Talhar & Wong (WTW) is well positioned and competent to provide comprehensive and focused property services to national and international Clients

Our range of professional services encompasses :

Valuation & Advisory Services	Agency & Transactional Services	Management Services
Valuation	Estate Agency	Development Management
Market Research Studies	Project Marketing	Property Management
Consultancy	Investments	
	Corporate Real Estate	

Valuation of all real properties for wide-ranging purposes including :
- Initial Public Offerings (IPOs)
- take-overs, mergers & acquisitions (M&A), joint-ventures
- Local Authority rating valuations and Appeals
- credit security
- auction reserves and foreclosures
- real property gains tax (RPGT) assessment and Appeals
- submission to Securities Commission
- corporate accounting and asset review
- compulsory acquisition
- asset acquisition & disposal
- fire insurance
- capital allowances claims

Our valuation expertise and experience include appraisals of plantations, timber concessions, plant, machinery and equipments, *specialised properties* such as steel mills, mining land and quarries, and *properties valued on trading/business basis* such as private hospitals, hotels and resorts.

Market Research Studies to provide the basis for planning and development of townships, and town centre regeneration and redevelopment, distribution parks and industrial estates; for the design and development of retail centres, offices, hotels and resorts, leisure centres. WTW conducts
- Market Studies for general landuse planning and for specific development projects
- Marketability Studies and Feasibility Studies for specific projects

Consultancy in the management of property resources for purposes of securing the highest and best use of land through the best means. WTW offers:
- Advice on Development Options to render projects more feasible
- Development Strategic Options on specific development projects
- Land Use and Development Strategy on existing portfolio of real estate assets
- Advice in rationalising disposal or use of non-operational excess land or premises
- Advice in Development Funding Options, Sale and Leasebacks, and Joint Venture Arrangements

---

Estate Agency
Acting as agents to buy or rent, sell or let out residential , commercial & industrial units

Project Marketing
Acting as Marketing Agents to sell residential and commercial units in development schemes; to sell or lease out units in retail centre and office developments

Investments
Acting as Agents to acquire or dispose specialised properties and investment property assets and holdings.

Corporate Real Estate
Acting as Agents and Tenant Representatives to secure operational premises for Corporate Clients
As an extension of our Corporate Real Estate Services WTW provides supporting Facilities Management and Project Management Services.

Development Management
Further to our Consultancy Services, WTW provides Development Management services which include :
- Managing team of appointed consultants
- Liaising and intermediating with Land, Planning, Local & other relevant Authorities
- Monitoring progress of work
- Managing cost & quality
- Effecting efficient handover

Property Management
Managing individual, collective and portfolios of residential, retail and office units on behalf of Clients or Management Corporations. WTW undertakes, inter alia:
- Management of rental income and accounts
- Auditing & reviewing of cost of building operations
- Management of life-cycle of building and equipments and maintenance programme

SERVICES

CONTACTS

C H Williams Talhar & Wong Sdn Bhd (18149-U)

Kuala Lumpur	kualalumpur@wtw.com.my	603 2693 8888
Georgetown, Penang	penang@wtw.com.my	604 263 3377
Petaling Jaya	petalingjaya@wtw.com.my	603 7956 9211
Johor Bahru	johorbahru@wtw.com.my	607 224 3388
Kuantan	kuantan@wtw.com.my	609 515 0000
Seremban	seremban@wtw.com.my	606 763 7373
Malacca	malacca@wtw.com.my	606 281 2288
Butterworth	butterworth@wtw.com.my	604 398 1188
Batu Pahat	batupahat@wtw.com.my	607 434 6122
Alor Star	alorstar@wtw.com.my	604 730 3300
Ipoh	ipoh@wtw.com.my	605 255 8822
Kuala Terengganu	kualaterengganu@wtw.com.my	609 626 2760
Kota Bharu	kotabharu@wtw.com.my	609 748 7070

C H Williams Talhar & Wong (Sabah) Sdn Bhd (34874-P)

Kota Kinabalu	kotakinabalu@wtw.com.my	6088 248 801
Sandakan	sandakan@wtw.com.my	6089 217 025
Tawau	tawau@wtw.com.my	6089 774 349
Lahad Datu	lahaddatu@wtw.com.my	6089 882 393
Labuan	labuan@wtw.com.my	6087 416 341
Keningau	keningau@wtw.com.my	6087 336 803

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T)

Kuching	kuching@wtwy.com	6082 246 262
Sibu	sibu@wtwy.com	6084 319 396
Miri	miri@wtwy.com	6085 432 821
Bintulu	bintulu@wtwy.com	6086 335 531

C H Williams Talhar & Wong (Brunei) Sdn Bhd (AGO/R-C/930)

Bandar Seri Begawan	brunei@ wtw.com.my	673 2228 050

WTW Bovis Sdn Bhd (305506-K)

Kuala Lumpur		603 2163 4511

www.wtw.com.my

Published by
C H Williams Talhar & Wong Sdn Bhd (18149-U)
Kuala Lumpur, Malaysia.
March 2008

Additional copies may be downloaded from our website www.wtw.com.my

C H Williams Talhar & Wong
32nd Floor Menara Tun Razak, Jalan Raja Laut, P O Box 12157 50768 Kuala Lumpur Malaysia
Tel : 603 2693 8888
www.wtw.com.my

Printed by Swan Marketing Sdn Bhd (403256-K)