

C H Williams Talhar & Wong



WTW PROPERTY MARKET 2009

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 |

Chairman's Foreword



The cataclysm in the global financial markets towards the end of 2008 marked the end of an economic epoch; the finger of blame was mostly pointed at those bank barons spurred by high profit-higher reward incentives. Criterial risk considerations were ignored and risk management relegated to secondary importance. Tier upon tier of financial notes and papers were exchanged in ever complex web of leverages. Real estate prices which spiraled beyond affordability levels created an ever alluring opportunity for further spawning of debts. It was to the interest of those in the loop to keep the prices moving upwards.

Things came a-cropper when realistic affordability levels were breached; when value levels could no longer be supported, and when the prospect became more likely that those levels would plummet to their realizable *fair market value*. Lenders were sitting on collaterals fast speeding towards negative equity. Foreclosures would prompt the mass of distressed properties to flood the market causing the value level to slide further down. And so it goes on. This is not a picture of developing economies where lack of transparency and risk management practices were reportedly rampant, but of disciplined markets of mature economies caught in a spiral of un-disciplined leveraging un-circumspect of risk. Such is the make-up of tragic irony.

In the wake of the Asian Financial Meltdown, our 1999 PMR stated that "the [property] market hurled into [an] abyss. *It would have happened without the currency turmoil*". The collapse of the property market in Malaysia at the time was in the main due to the sheer excess of building activities, to overproduction of property units. Values plummeted then. They have not generally come back to where they were before in 1995/6. The property investment market now is a more mature market, uplifted by the greater inflow of external property investment funds from more mature economies.

We see in the international scene the collapse of confidence and the loss of belief and trust spreading beyond the corridors of financial institutions to the suites of rating agencies, major auditing firms and other financial consultants. It can be expected that investors would take stock of the layers of circumstances that underscore the current investment market; that investors would understandably stay on the sideline before making any decision to further commit funds available to them, if at all. Some who have made earlier commitments and paid out deposits would rather forgo their commitment as the better option to take in the face of a very uncertain future. The *future* has shifted its time frame and dimension. The intensity of the uncertainty shifted the long term into the medium term and the medium term into short term. Three years would be looked at as the new long term view in the current investment perspective. For the real estate development industry, where the time horizon is by its nature, longer; developers would be looking at ever higher risk factor allowances.

We can expect to see lesser significance placed on *Gross Development Values* when reporting on property companies; and similarly we can expect land banks in terms of their size to feature less as an indicant of durability of property companies.

MOHD TALHAR ABDUL RAHMAN
March 2009

2009 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 | ↔ | ↔ | ↔ | ↔ | ↔ | ↔ | ↔ | na |

na Not Applicable

Klang Valley (Kuala Lumpur/Selangor/Putrajaya/Cyberjaya)

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 2008, Selangor and WPKL mustered 52,379 property transactions accounting for 30% of all property transactions in the country. The value per transaction at RM358,759 (a 6.4% increase on the corresponding period in 2007) in Selangor and RM780,760 (a 4% decrease on the corresponding period in 2007) in WPKL. The Malaysian average per transaction was RM272,369.

| | 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 2008 | 41,390 | 10,989 | 171,840 |
| Total property transactions, H1 2007 | 31,976 | 8,088 | 142,163 |
| Total value, H1 2008 | RM14,849.0 million | RM8,579.8 million | RM46,803.8 million |
| Total value, H1 2007 | RM10,780.6 million | RM6,583.5 million | RM33,335.4 million |
| Value per transaction, H1 2008 | RM358,759 | RM780,760 | RM272,369 |
| Value per transaction, H1 2007 | RM337,148 | RM813,986 | RM233,175 |

Source: JPPH, Ministry of Finance

The 2008 Malaysian property market was a year that was associated with endless uncertainties. The bullish start to 2008 property market ended with dented confidence by year end. By the last quarter of 2008 the property market in Klang Valley began to feel the effects of the global financial crisis and domestic political factors that created uncertainty. As the year drew to a close, the only optimism was created by the falling fuel costs that had soared to an all time high in the middle of the year. The investment sentiment had evaporated as the year drew to a close.

The financial credit crisis that started in the United States moved to Europe and into Asia and Australia by the end of the year. Malaysia too has not been isolated from the global crisis with some transactions being aborted.

Aborted transactions

The largest and most highly publicized abortive transaction within Kuala Lumpur city centre in 2008 was the RM733.63 million purchase of Menara Citibank by IOI Corporation Berhad where the RM73.36 million deposit was forfeited. The others include:

- Malaysian Commercial Development Fund Pte Ltd's RM767 million purchase of commercial space and unsold units within Mont Kiara 20 from Sunrise Berhad. Both vendor and buyer agreed to mutually terminate the deal.
- The Sale & Leaseback of shoplots within Summit City USJ for RM8 million. The purchaser was AmARA REIT Managers Sdn Bhd.
- Magna Universe Sdn Bhd's agreement to purchase a RM84.3 million freehold parcel at Jalan Yap Kwan Seng. was terminated in October 2008
- The RM277.5 million purchase of Menara Kenanga was aborted in December 2008

Klang Valley (Kuala Lumpur/Selangor/Putrajaya/Cyberjaya)

Over 20% of new office supply located in Cyberjaya

The total supply of office space in Klang Valley in 2008 breached the 70 million sq ft mark to offer 72.74 million sq ft of nett lettable area. With an additional 3.44 million sq ft of new office space in the Klang Valley in 2008, a considerable take-up of 3.58 million sq ft was recorded at average prime rents in Kuala Lumpur ranging from RM5.50 - RM8.00 per sq ft.

Of the 3.44 million sq ft (13 buildings) of new supply in 2008, 5 buildings were completions accounted for in Cyberjaya providing an additional 725,750 sq ft (representing 21% of the total new supply in 2008).

The vacancy rate of purpose built office space in the Klang Valley further improved to 10.69% in 2008 compared to 11.92% in 2007. Among the major movers and new entries into the purpose-built office market in 2008 are ICT & telco companies. This was led by Hewlett Packard's move into Menara Olympia and UOA Damansara II.

| New completions in 2008 | |
|-------------------------------------|-----------------|
| Menara UAC* in Petaling Jaya | 138,600 sq ft |
| Menara Perak , Jalan Perak | 190,600 sq ft |
| Mid Valley North and South Towers | 1,000,000 sq ft |
| Bangunan Mustapha Kamal , Cyberjaya | 120,000 sq ft |
| TM Cyberjaya | 110,000 sq ft |
| Unnamed (off Jalan Raja Chulan)** | 101,500 sq ft |
| Emerio, Cyberjaya | 75,000 sq ft |
| Prima 8, Cyberjaya | 85,000 sq ft |
| Mercu UEM in KL Sentral | 306,900 sq ft |
| MKN Embassy Tech Zone, Cyberjaya | 335,700 sq ft |
| PJ8, Petaling Jaya | 418,000 sq ft |
| Quill Building 9, Petaling Jaya | 289,100 sq ft |
| BBT One, Klang | 270,000 sq ft |



Mercu UEM in KL Sentral

* WTW as Exclusive Leasing Agents

** WTW as Sole Leasing Agents

New completions by the end of 2009 and 2010 is estimated at about 12.29 million sq ft which will increase the current supply by over 16% to reach over 85 million sq ft. Of this 64% (about 7.8 million sq ft) is located in Kuala Lumpur itself.

Office investment activity remained relatively active in the first half of the year largely as a result of the optimism created by the 2007 market. The transactions were dominated by institutional funds which includes the RM439.32 million purchase of Capital Square Tower 2 by Germany-based Union Investment Real Estate Aktiengesellschaft as well as the RM258 million purchase of 26 Boulevard Putrajaya by the Employees Provident Fund (EPF).

Klang Valley (Kuala Lumpur/Selangor/Putrajaya/Cyberjaya)

| Buildings transacted in 2008 | | |
|--|------------------|-------------------|
| Glomac Tower, Jalan P Ramlee | RM576.85 million | RM1,118 per sq ft |
| Capital Square Tower 2 | RM439.32 million | RM 732 per sq ft |
| Platinum Park - Menara FELDA | RM640.77 million | RM 930 per sq ft |
| Kompleks Angkasaraya | RM152.00 million | RM 906 per sq ft |
| Quill Building 5 - IBM, Cyberjaya | RM 43.00 million | RM 538 per sq ft |
| Menara HeiTech Village, Subang | RM 65.00 million | RM 390 per sq ft |
| PJ City Block A | RM 75.69 million | RM 440 per sq ft |
| 26 Boulevard, Putrajaya | RM258.00 million | RM 730 per sq ft |
| Menara Citibank, Jalan Ampang* | RM733.63 million | RM1,000 per sq ft |
| Menara Kenanga, Jalan Sultan Ismail ** | RM277.50 million | RM 755 per sq ft |
| Bangunan KUB.com, Jalan Yap Kwan Seng | RM 86.50 million | RM 437 per sq ft |
| Menara Standard Chartered | RM328.35 million | RM 952 per sq ft |
| CP Tower, Petaling Jaya | RM200.00 million | RM 636 per sq ft |

* transaction reported aborted in November 2008. Price is "agreed gross acquisition value"

** transaction reported aborted in December 2008

- **No significant retail investments in 2008**
- **Hypermarkets on the increase**

The retail market in Klang Valley remained resilient during the 1st half of 2008 particularly in the 1st quarter. Some international retail names reinforced its presence such as Gucci and Fitness Concept Store at Pavilion KL, Debenhams at The Curve as well as Borders and Carrefour at Tropicana City Mall.

A new supply of 1.634 million sq ft of retail space was injected into the market which included Solaris Mont'Kiara, AEON AU2 and Tropicana City Mall. With the new supply, the total retail space in Klang Valley reached 38.35 million sq ft by year end 2008. There were two total closures of retail centres recorded in 2008 namely Jaya

Supermarket in Section 14 Petaling Jaya and Plaza Ampang (demolished) at the Jalan Ampang/Tun Razak junction. Other centres that are undergoing refurbishments include Bangsar Shopping Centre, The Mines Shopping Fair and UE3 Shopping Mall.

The increasing dominance of hypermarkets in Klang Valley is evidenced with the opening of five new outlets in 2008 accounting for almost 45% of the new supply of retail space in Klang Valley. This includes the purpose-built facilities as well as the 125,000 sq ft taken-up by Carrefour in the spanking new Tropicana City Mall and 30,000 sq ft taken-up by Giant at Kepong Brem Mall.

| New retail supply in 2008 | |
|------------------------------------|---------------|
| Solaris Mont'Kiara | 56,000 sq ft |
| Kepong Brem Mall | 250,000 sq ft |
| Carrefour, Klang | 86,000 sq ft |
| AEON AU2, Setiawangsa | 333,000 sq ft |
| Tropicana City Mall, Petaling Jaya | 415,100 sq ft |
| Tesco, Setia Alam | 265,800 sq ft |
| Giant, Kota Damansara | 228,400 sq ft |



Tropicana City Mall

Klang Valley (Kuala Lumpur/Selangor/Putrajaya/Cyberjaya)

There being no outright retail investment exercises, announcements were made for the following:

- PRAMERICA Real Estate Investors (Asia) Pte Ltd, through a real estate fund, Asian Retail Mall Fund, is reported to invest some RM1.1 billion in four Malaysian malls, two of which are located in Klang Valley namely Ampang Mall and SStwo.
- CapitaLand Retail acquired about 61.9% of Sungei Wang Plaza for RM595 million in the 1st half of 2008

Occupancies remained relatively stable albeit a 1% decrease from 85.7% in 2007 to 86.7% in 2008.

This could be largely attributed to the year end opening of Tropicana City Mall that achieved an approximate 50% occupancy rate on opening day.

Rentals range from RM4.80-RM45 per sq ft at regional centres such as Subang Parade, MidValley Megamall, One-Utama and Sunway Pyramid; and RM4 - RM28 per sq ft at neighbourhood centres such as Bangsar Shopping Centre, Hartamas Shopping Centre, The Curve, Great Eastern Mall and Cheras Leisure Mall. Rental at the high-end city centre retail mall namely Suria KLCC ranges from RM30-RM80 per sq ft.

Residential - Developers are not so upbeat

Despite the government measures introduced in 2007/2008 ie exemption of Real Property Gains Tax (RPGT) and the 50% discount on stamp duty for properties under RM250,000; developers were more inclined to hold back on introducing new projects into the market in Klang Valley towards the end of 2008. There was a marked 57% decline in new residential units launched in 2008 compared to the previous year.

| | Jan - Jun | Jul - Dec | Total |
|------|-----------|-----------|--------|
| 2007 | 9,181 | 6,599 | 15,780 |
| 2008 | 3,649 | 3,098 | 6,747 |

Source: WTW Research

Some of the larger developments that were launched included:

- Villa Manja Sunway SPK Damansara offering 196 semi-detached homes priced from RM1.88 million developed by Sunway SPK Homes Sdn Bhd
- Serena Bandar Sri Puchong by Flora Development Sdn Bhd offering 137 terraced homes priced from RM528,800
- Selayang Springs Condominiums offering 1,160 units priced between RM168,000 to RM360,000 developed by Barisan Tenaga Perancang (M) Sdn Bhd
- Aman Perdana Klang (Phase 2) offering 206 semi-detached homes priced from RM391,320, developed by Intramewah Development Sdn Bhd (subsidiary of the Mah Sing group)
- D'Rapport@Ampang by Perspektif Masa Sdn Bhd offering 1,099 condominium units priced at RM724,500.

In the luxury condominium market, a total of 993 units was offered in 2008 compared to 1,727 units offered in 2007 indicating a 42.5% drop in number of units launched. The projects launched in 2008 include :

- Suasana Bangsar, D'9 Bangsar in Bangsar;
- Kiara 9, Sunway Vivaldi and Kiara3 in Mont'Kiara;
- 9 Madge in Ampang Hilir; and
- The Binjai on the Park and Damai206@Embassy View in KLCC

The developer's selling price for units launched in 2008 ranges from RM650 - RM1,180 per sq ft with the exception of The Binjai on the Park which offered its units at RM2,000-RM3,000, setting a new benchmark price in KLCC.

A total of 9 projects were completed in 2008 offering 1,796 units. By the 2nd half of 2008, the occupancy rate dropped to 81% from 86% in the 1st half 2008. These occupancy rates do not take into account the newly completed units in the respective periods.

Klang Valley (Kuala Lumpur/Selangor/Putrajaya/Cyberjaya)

Serviced Apartments

The supply of serviced apartments in 2008 in Kuala Lumpur (comprising hotel-type accommodation as well as serviced residences) increased by 10% (over the 2007 supply) to 7,073 units. A total of 643 units were completed in 2008 (compared to 2,355 units completed in 2007) and they include The Meritz, K Residences, I-Zen@Kiara1 and Mei-on-the-Madge.

In 2009 fourteen developments are to be completed adding about 4,353 units (or an additional 61.5% to supply).

Developer's sale prices of newly launched serviced residences range from RM800 to RM1,300 per sq ft. Some of the larger developments that are scheduled to come on-stream in 2009 include:

- 426 units at One Residency located off Jalan Raja Chulan
- 338 units at Hampshire Residences
- 528 units at Solaris Dutamas
- 881 units at Verve Suites
- 383 units at MyHabitat

Hotels gain worldwide recognition

Tourist arrivals into Malaysia reached 22.05 million in 2008 indicating just over 5% increase over the corresponding period in 2007. Tourists from ASEAN countries in particular Singapore and Indonesia remain the biggest tourist generating market for Malaysia. The other seasonal intake is from West Asian nations namely UAE, Saudi Arabia and Kuwait. However there has been a decline in the West Asian tourists during the 2008 peak months of June to September over the corresponding period in 2007 intake by about 14%.

With total supply of 33,136 hotel rooms (3-5 star rated) housed in 101 hotels in 2008 in Klang Valley, the hotel market occupancy rates for 3-star and 5-star rated hotels remained relatively stable at 77% and 71% respectively.

- There were 3 new hotels completed in 2008 namely The Club at the Saujana Kuala Lumpur (a 105-room boutique resort), Piccolo Hotel (140 of the 239 rooms) and The Garden Hotel & Residences (324 of the 448 rooms)
- Hotels that are undergoing refurbishments include Nikko, Mandarin Oriental KL, Grand Seasons and Berjaya Times Square Hotel.

The hospitality industry received recognition in 2008 as follows:

- Best Tourism Destination of 2008 by *Global Traveler* magazine readers making it a third straight win the past two years
- Crowne Plaza Mutiara Kuala Lumpur won an international award for the Best Value Hotel by *Budget Travel Magazine* in February 2008
- Hotel Imperial KL joins the Luxury Collection brand under *Starwood's Portfolio of Hotels and Resorts Worldwide*. The Starwood group has also been appointed to manage the 6-star rated St Regis KL upon its completion in 2014.

Average room rates for 4 and 5 star rated hotels increased to RM248 and RM445 respectively in the 2nd half of 2008 (compared to RM231 and RM435 during the 1st half of 2008). Average occupancy rates for 5-star hotels decreased to 69% in the 2nd half 2008 compared to 71% in the 1st half of 2008.

Klang Valley (Kuala Lumpur/Selangor/Putrajaya/Cyberjaya)

• Industrial facilities ceasing operations

Manufacturing approvals

Foreign investments in manufacturing into the country rose strongly between Jan-Aug 2008. The top three foreign investors between Jan-Aug 2008 were Australia, USA and Germany.

| | 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 |
| Jan-Aug 2008 | RM44.9 billion | RM10.9 billion | RM34.1 billion |

Source : MIDA/MIER, 2008 4th Quarter Update

The performance of the industrial sector is led by the demand for logistics/warehousing facilities in specific areas in Klang Valley. These areas include Klang, Shah Alam and more recently in Kota Damansara; areas that have excellent network of roads and access to major highways, prerequisites for international logistics operators. Some hotspots identified for the industrial property sector include Temasya Industrial Park in Glenmarie, Bandar Sultan Sulaiman Industrial Area in Klang, Port Klang, Section 15 Shah Alam and Science Park Selangor in Kota Damansara.

Some notable industrial transactions that took place in 2008 include:

- Lots 15 & 17 Kawasan 20 Bandar Sultan Sulaiman Industrial Area was acquired at RM9.69 million by Asia Veterinary Sdn Bhd. The premises comprised a single storey warehouse, 3 interconnected single-storey warehouses, and office buildings
- A 6.5 acre industrial site at Seksyen U8 Shah Alam was disposed at RM11.15 million

- A 5 acre industrial site at Seksyen U8 Shah Alam was disposed at RM13.07 million
- A 5.12 acre industrial site at Science Park Selangor at Kota Damansara was sold at RM19.41 million
- A 26.46 acre industrial site at Bandar Sultan Sulaiman in Klang was acquired at RM27.1 million

In 2008 a few manufacturing plants ceased operations. These include:

- Ford Malaysia closing its production facility and assembly in Seksyen 15 Shah Alam
- Panasonic ceasing all operations at its Sg Way facility to move in with existing facilities in Seksyen 16 Shah Alam
- The Yong Kam Fook Plastic manufacturers closing all production in Seksyen 16 Shah Alam
- Hitachi Consumer Products manufacturing facility in Bangi closing

2009 MARKET OUTLOOK

The Malaysian economy is not expected to be fully insulated from the global downturn in 2009. The full heat of the global crisis is expected to be felt in the second half of 2009 with the market continuing to remain soft. Consumer confidence is not expected to improve with the state of the economic outlook i.e. loss of jobs, pay cuts, reduction in manufacturing output, etc. A cautious mood would prevail as purchasers expect reduction in prices while developers postpone, delay or not launch new projects or new phases. However with the reduction in interest rates, mortgage payments would be more affordable.

The hospitality industry would be under pressure as the global financial crisis takes a toll on discretionary spending on 'luxuries' such as holiday travel. Additionally, the office sector would see downward pressure on rentals as demand weakens though for prime Grade A offices in the city centre would not be badly affected due to supply constraints. Similarly, residential properties especially landed properties in the prime residential suburbs would unlikely be severely affected.

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 2008, Kedah mustered 10,444 property transactions. The value per transaction at RM145,601 is significantly below the Malaysian average of RM272,369.

| | 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 2008 | 10,444 | 171,840 |
| Total property transactions, H1 2007 | 8,978 | 142,963 |
| Total value, H1 2008 | RM1,520.66 | RM46,803.8 million |
| Total value, H1 2007 | RM1,157.35 million | RM33,335.4 million |
| Value per transaction, H1 2008 | RM145,601 | RM272,369 |
| Value per transaction, H1 2007 | RM128,910 | RM233,175 |

Source: JPPH, Ministry of Finance

The Kedah property market in 2008 was generally stable and predominantly led by an active residential sector. The activity in the residential sub-sector 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 2008 as evidenced by new launches.

The single largest property transaction that dominated the Kedah real estate headlines in 2008 was the acquisition of Alor Star Mall by The Store Corporation Berhad. The Store purchased the entire stake in Jurus Kota Sdn Bhd for RM174 million which owns Alor Star Mall. The Store already occupies 72% of the total net lettable area of the 296,532 sq ft 2-storey mall.

Another property highlight in Kedah is a follow-on from the RM430 million sale of the Four Seasons Resort Langkawi in 2007 to the Saudi Arabian royal family. In 2008, the Kingdom Hotels Investment (of Saudi Arabia) announced the proposal to sell 18-24 luxury private residences located adjacent to the Four Seasons Langkawi at Jalan Tanjung Rhu. At a proposed price of RM2,844 per sq ft, the development is expected to attract an estimated RM237 million.

Also on Langkawi island, Perdana Residence on the west coast is being refurbished. It is an abandoned resort hotel which has been taken over by Thailand-based Wise Asset Holdings Co Ltd and Estora Group Ltd. The project comprises 57 luxury apartments on a 2-acre freehold site.

Investment into Kulim Hi-Tech Park in 2008 was singled out by:

- US-based WaferGen Biosystems Inc in setting up its RM10 million R&D centre. WaferGen already exists at Kulim Hi-Tech but is now setting up its first R&D facility outside Silicon Valley.
- US-based First Solar Inc is also set to increase the productivity of the already existing maiden Asian facility in Kedah. The new local content is set for a RM2.2 billion investment.

Notable residential sector projects include :

- local player Bina Darulaman Berhad in a joint-venture with Syarikat Perumahan Negara Berhad to undertake a RM100.5 million low-cost housing project in Gurun.
- Paramount Corporation Berhad launched its first phase of residential properties at Amanjaya, Sg Petani. The 208-hectare site will include 2-storey link houses priced from RM200,000-RM300,000 each.
- The launch of the first gated & guarded project in Alor Star, Villa Seri Tunku. Located at the Darulaman Highway at Anak Bukit, it is a joint-venture project undertaken by Encomas Sdn Bhd and Antara Awan (M) Sdn Bhd.

Kedah's mega RM50 billion oil refinery and pipeline project has now been revised to an RM83 billion exercise which includes the construction of a man-made island for the refinery and storage facilities. The project is being undertaken by Trans Peninsula Petroleum Sdn Bhd, Pristine Oil (M) Sdn Bhd and KN Capital (M) Sdn Bhd to build the facilities at Bachok in Kelantan and Kuala Jerlun in Kedah.

Kedah

Acquisition of the year 2008

The RM174 million acquisition of Jurus Kota Sdn Bhd which includes the RM130 million Alor Star Mall. The Store occupies 72% of the net lettable area at Alor Star Mall.



Alor Star Mall

2009 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 in 2009. The continued growth in construction and manufacturing sectors in the Sg Petani region augurs well for the state.

The significance of two major foreign investors in Langkawi in 2008 indicates the road on the world tourism map whilst spillover from the NCER (Northern Corridor Economic Region) is expected to augur well for the state in 2009 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 the first half of 2008, Penang registered 10,410 property transactions. The value per transaction at RM344,421 is higher than the overall country's average of RM272,369. Note: A 27% 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 2008 | 10,410 | 171,840 |
| Total property transactions, H1 2007 | 9,951 | 142,163 |
| Total value, H1 2008 | RM3,585.4 million | RM46,803.8 million |
| Total value, H1 2007 | RM2,686.6 million | RM33,335.4 million |
| Value per transaction, H1 2008 | RM344,421 | RM272,369 |
| Value per transaction, H1 2007 | RM269,981 | RM233,175 |

Source: JPPH, Ministry of Finance

In July 2008, Georgetown and Malacca were listed by UNESCO on World Heritage Sites as "historical cities of the Straits of Malacca". The site in Georgetown covers almost 260 hectares and includes Fort Cornwallis, the Esplanade and harbour, Weld Quay, Bishop Street, Church Street, China Street, Chulia Street and Little India.



Bishop Street and Weld Quay listed by UNESCO on World Heritage sites

Penang

The property market in Penang was generally stable at the beginning of 2008 followed by a gradual and cautious slowdown by the year end. The market pessimism has largely been attributed to the slowdown in consumption, retail and investment activity which was translated to the slow take-up of properties. The end of 2008 witnessed some local developers announcing the postponement of launches.

On the island, the residential, retail and hospitality sectors were relatively more active whilst the residential sector remained the most active on the mainland. The active locations continued to be in Jelutong, Gelugor, Sungai Nibong, Batu Maung, Teluk Kumbar and Seberang Perai Tengah.

The **residential** property sector continued to be the dominant driver of the property market on the Island as well as in Seberang Perai. Major players in the Penang property market in 2008 are local and Klang Valley based developers. Amongst them are E&O Development Berhad, IJM Corporation Berhad, DNP, IOI Corporation, and Mutiara Goodyear Development Berhad.

Some of the new residential projects being revealed or launched in 2008 include:

- IJM Land Berhad's, The Light which is a mixed residential/commercial development on the eastern coastline of the island. The initial phase is expected to be launched in the 1st quarter of 2009 to be known as the Light Linear and the Light Point comprising 328 residential units of varying sizes.
- IJM Properties Sdn Bhd's project launches in Bandar Seri Pinang and Metro-East developments in Jelutong and Gelugor respectively which include:
 - Summer Palace Condominium
 - Nautilus Bay
 - Pearl Regency
- DNP Holdings Berhad announced plans to launch Sentral Green in Relau comprising 54 units of 3-storey terraced and semi-detached units priced from RM808,000.
- IOI Corporation Berhad commenced the construction of its 35-storey Fettes Residence comprising 191 condominium units on a 4-acre site in Tanjung Tokong priced from RM380 per sq ft.
- Mutiara Goodyear Development Sdn Bhd entered into a joint-venture to develop an 8.8-acre site in Bukit Gambier for a high-end residential project.

- In order to build its landbank, PLB Engineering Berhad purchased a 3.02-acre site along Jalan Jelutong.

However, there were projects that did not proceed as planned in 2008 as follows:

- E&O Berhad delayed its launching of the first phase condominiums in Tanjung Seri Pinang
- The proposed township of the Penang Global City Centre (PGCC) on the Penang Turf Club site in Batu Gantong was rejected by the Penang Municipal Council.

The **commercial** property sub-sector generally remained stable. The prime retail complexes attracted investors and retailers.

- The acquisition of the year in Penang was the RM132 million purchase by Quill Capita Trust of the 3-storey building in Gelugor, accommodating the Tesco Hypermarket, retail lots, and car parking areas.
- A real estate investment arm of a US-based Prudential Financial Inc, Pramerica Real Estate Investors (Asia) Pte Ltd has proposed to invest RM1.1 billion in 4 shopping malls in Malaysia through a real estate fund known as the Asian Retail Mall Fund (ARMF). Two of the shopping malls are located in Penang ie a mall being developed by ARMF, Belleview Group and Lion Group along Jalan Magazine and the existing Island Plaza
- A cheer for the ailing KOMTAR when Pacific Departmental Store opened its doors occupying approximately 140,000 sq ft over four levels at KOMTAR. This space has been vacant for approximately 5 years.
- Gurney Plaza New Wing opened its doors with 8-level retail space connected to the existing Gurney Plaza. The New Wing provides an additional 150,000 sq ft of retail space as Parkson Grand extended and reinforced its presence as its anchor tenant.
- Jaya Jusco has also made its entry into the Seberang Perai retailing market at Aeon Seberang Perai City in Bandar Perda.
- Tesco Extra opened at the previous Makro site in Seberang Jaya
- Shoppers in Sungai Dua has been provided with a new 24-hour shopping facility at Sunshine Lip Sin of approximately 12,000 sq ft

Penang

During 2008, Hunza Properties Berhad delayed the construction of the approximately 700,000 sq ft Gurney Paragon shopping mall along Persiaran Gurney.

Two major office buildings were completed in 2008:

- Menara IJM with approximately 93,000 sq ft of net lettable area in Gelugor
- Suntech with approximately 180,000 sq ft of net lettable area in Bandar Bayan Baru located next to Sunshine Square.



SUNTECH Penang

Market activities concerning the **industrial** property sector in 2008 are as follows :

- Knowles Electronics (M) Sdn Bhd opened its new extended facility of almost 120,000 sq ft in Bayan Lepas Industrial Park to enhance production capability. The company produces sub-miniature microphones for hearing aids
- Ibiden Co Ltd, Honeywell International, St Jude Medical Inc, and National Instruments announced plans to establish operations in Penang.

Due to the low demand for exports by year end of 2008, certain factories have adopted various measures such as shortening the working week, freezing new employment and pay-cut.

Construction in the **hospitality** sector continued as planned during 2008:

- The Royale Bintang along Pengkalan Weld by Boustead Holdings Berhad is scheduled for opening in 2009
- The Eastin e-Hotel in Queensbay by the CP group is scheduled for completion in 2009
- The extension of the E&O Hotel along Lebuhraya Farquhar is progressing
- IGB Corporation Berhad plans to develop and complete a 550-room Cititel Express Penang Hotel by end of 2010 on part of the site along Jalan Magazine commonly known as Wembley Park.

In addition, there are also proposals for serviced apartment projects :

- MRCB purchased a 3.3-acre site along Jalan Teluk Bahang from MBSB to develop a high-end serviced apartment project.
- Selangor Dredging Berhad, through its wholly owned subsidiary, Crescent Consortium Sdn Bhd, entered into an agreement to acquire parcels of land totaling 4.7 acres along Jalan Batu Ferringhi to build a boutique serviced apartment project.

Penang

Acquisition of the Year

The RM132 million acquisition by Quill Capita Trust of a 3-storey commercial building with a total lettable floor area of approximately 275,000 square feet in Gelugor accommodating the Tesco Hypermarket. Based on the current passing rent, the building provides a yield of approximately 7%.

Cheers for KOMTAR

A cheer for the ailing KOMTAR when Pacific Departmental Store opened its doors occupying 140,000 sq ft over four levels at KOMTAR.



Pacific@KOMTAR

2009 MARKET OUTLOOK

Work on the 2nd bridge to Penang is currently in progress and is deemed as a positive move towards the development of Penang.

Under the current global credit crunch, the slowdown in the property market is not expected to turn to a major contraction. The degree of the softening in property transactions would depend on the severity of the economic downturn.

The shophouse and residential property sub-sectors are relatively more resilient because they are more sought after for owner occupation as well as for investment.

For the industrial property sector, manufacturers in Penang are concerned about the global financial crisis but the extent of its impact could not be clearly ascertained yet.

As for the hospitality sector, advanced booking of hotel rooms in Penang indicates that occupancy rates are likely to stay firm until the first quarter of 2009. However, beyond that, the outlook is cautious. Hoteliers foresee a challenging year ahead given the present gloomy economic outlook. Notwithstanding the above, hotels in Penang are expected to continue attracting tourists as a value-for-money destination to continue in business.

Demand for commercial accommodation (retail and office space) will likely be affected with the declining consumer spending and business activities. Developers are also most likely to be cautious with their launches and purchases of development lands for immediate development or landbank purposes.

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 2008, Perak mustered 22,903 property transactions. The value per transaction at RM107,957 is significantly below the Malaysian average of RM272,369.

| | 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 2008 | 22,903 | 171,840 |
| Total property transactions, H1 2007 | 19,062 | 142,163 |
| Total value, H1 2008 | RM2,472.5 million | RM46,803.8 million |
| Total value, H1 2007 | RM2,051.2 million | RM33,335.4 million |
| Value per transaction, H1 2008 | RM107,957 | RM272,369 |
| Value per transaction, H1 2007 | RM98,698 | RM233,175 |

Source: JPPH, Ministry of Finance

The Perak property market slowed down in the second half after a considerably stable first half of 2008. The agricultural sector was faced with a sharp decline in commodity prices in the last quarter of 2008. However, residential properties in active locations such as Ipoh city, Sitiawan, Taiping, Teluk Intan and Taiping still command a reasonable demand.

Major property / infrastructure developments that stirred the market in 2008 include:

- The opening of Tesco's two new outlets; in Pengkalan, Ipoh and in Kampar, resulting in improvements in demand for shophouses in adjacent locations.



Tesco Pengkalan

- KTM Berhad's double track system between Rawang and Ipoh commenced its service in the last quarter of 2008. This is expected to boost property demand in Ipoh, Kampar, Tapah, Slim River and Tanjung Malim - the locations where the trains stops. This double tracking system is expected to increase the number of commuters working in Klang Valley and living in south Perak.

Discount for 110,000 freehold titles within planned and new villages

An 80% discount will be given for the conversion of leasehold titles to freehold titles in planned and new villages in Perak. Applicants only have to pay 20% of the appreciated land value based on size, location and remaining number of years on land lease. The incentive is for 100,000 titles located within planned and new villages. Freehold titles make it easier for owners to take bank loans to improve the estate.

A planned village is a settlement area consisting mainly of bungalow lots developed by the State Government

- The previously abandoned project, Menara Syuen has been revived and upon completion will be known as Ipoh Tower. It will be the first integrated serviced apartment/ office tower / hotel development in Ipoh city.
- UAC Berhad acquired a parcel of vacant industrial land and factory at Tasek for future expansion
- Camfill Farr Malaysia purchased the 11 acre Hitachi factory site in Bemban in Batu Gajah
- In Lumut :
 - o Rapid Synergy Berhad has purchased a 9.46 acre site for RM7.41 million to develop a commercial project
 - o Boustead group has ventured with Finland's Sunborn group to introduce a new concept, hotels shaped like yachts. The shaping of the hulls of the yacht hotel will be carried out at the Lumut shipyard.

2009 MARKET OUTLOOK

Ipoh city will take on a new sleek look by the end of 2009 with the completion of the Kinta Waterfront project, straddling some 5 kilometres along the Kinta river. This is expected to provide the city with a new fresh look and create some excitement for the surrounding commercial precincts.

The residential sector will remain stable due mainly to local demand with some interest in south Perak regions due to increased commuters (spurred by KTM's double tracking system) from Klang Valley.

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 2008, Negeri Sembilan mustered 8,527 property transactions. The value per transaction at RM162,527 is below the Malaysian average of RM272,369.

| | 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 2008 | 8,527 | 171,840 |
| Total property transactions, H1 2007 | 8,130 | 142,163 |
| Total value, H1 2008 | RM1,385.8 million | RM46,803.8 million |
| Total value, H1 2007 | RM1,221.3 million | RM33,335.4 million |
| Value per transaction, H1 2008 | RM162,527 | RM272,369 |
| Value per transaction, H1 2007 | RM150,220 | RM233,175 |

Source: JPPH, Ministry of Finance

It was a stable and subdued property market throughout 2008 in Negeri Sembilan. Several major proposed property development undertakings slated in the Sendayan/Labu/Seremban 2 corridors is anticipated to provide sufficient boost in the property market. Real estate interest in the resort town of Port Dickson has steadily improved .

Allson Klana Resort Seremban is now Klana Resort Seremban

In a major takeover bid, the state government took full control of the RM80 million 211-room Allson Klana Resort Seremban via an asset swap in 2007. In 2008, it was refurbished and renamed Klana Resort Seremban.

Royal Adelphi is now Royale Bintang Resort & Spa Hotel

The 345-room Royal Adelphi Hotel became a member of the Royale Bintang Hotels managed by the Boustead group and subsequently changed its name to Royale Bintang Resort & Spa Hotel.

Some of the prominent developments announced over year 2008 include the following:-

- An education hub has been proposed within the existing Bandar Springhill in Port Dickson. The developer, West Synergy Sdn Bhd is set to develop University College Sedaya International on a 160-acre site

- Tanco Holdings Berhad is to develop Duta Grande, a 800-unit apartment project in Palm Springs Resort in Port Dickson
- Senawang Sentral Business Park Phase 1C was opened for sale in April 2008 by developer MRCB. It comprises 165 units of 1½ -storey terraced factories priced from RM209,000 located next to Tuanku Jaafar Light Industrial Park
- Bandar Seri Sendayan is to house a university dedicated to nursing education. An 80 hectare site has been identified by International University College of Nursing (IUCN) to build a RM200 million campus and facilities
- Tesco Stores (M) Sdn Bhd is set to proceed with its plan to develop a new retail outlet on a 12.5 acre site in Taman Bukit Kepayang
- Boustead Holdings Berhad through its subsidiary Boustead Weld Quay Sdn Bhd purchased The Royal Adelphi Hotel presently renamed as **The Royale Bintang Resort & Spa Hotel** for RM90 million. The hotel sits on a 6.23 acre freehold land at the Seremban Lake Gardens.
- Sime Darby group relaunched Planters' Haven, a 108-hectare orchard development situated just off Nilai town. This gated homestead development is subdivided into 160 mature orchard lots offering 8 bungalow designs choices (one bungalow/acre) with sale price starting from RM1.5 million.

Negeri Sembilan

Initiatives at Bandar Enstek in 2008

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 major initiatives in 2008 include :

- Timur@enstek by TH Properties Sdn Bhd. This is its 4th project within BandarEnstek and comprises 1½-storey link houses priced from RM166,300
- TSR Capital purchased a 57 hectare site for RM52.6 million to develop a medical city in Bandar Enstek

2009 MARKET OUTLOOK

The district of Seremban is poised for increased real estate activities with several prominent developments in the pipeline. The RM3.45 billion 100-kilometre electric double-track rail stretching from Seremban to Gemas will elevate the public transportation within the State and interstate accessibility. The city status to be awarded to Seremban will also elevate its prominence and recognition as one of the upcoming city in Malaysia.

With the economic uncertainties for the coming year due to the unprecedented global financial market turmoil, various sectors in the market will be facing a challenging prospect.

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 2008, Melaka mustered 6,169 property transactions. The value per transaction at RM153,373 is significantly below the Malaysian average of RM272,369.

| | 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 2008 | 6,169 | 171,840 |
| Total property transactions, H1 2007 | 6,108 | 142,163 |
| Total value, H1 2008 | RM946.16 million | RM46,803.8 million |
| Total value, H1 2007 | RM734.19 million | RM33,335.4 million |
| Value per transaction, H1 2008 | RM153,373 | RM272,369 |
| Value per transaction, H1 2007 | RM120,201 | RM233,175 |

Source: JPPH, Ministry of Finance

The year end financial global credit crunch coupled with the falling commodity prices has given rise to a softening property market in Melaka towards the 4th quarter of 2008. Despite these circumstances, the residential sector remains the stalwart mainly due to population growth. A large scale residential project comprising bungalows, commanded favourable take-up rates in Krubong developed by GJH Development. Year end activity in the commercial and tourism sectors has, on the other hand, dispelled some concerns of the softening property market.

In July 2008, the City of Melaka & Penang were jointly declared as a UNESCO World Heritage site which augurs well for conservation and tourism development for the state. Tourism was given further boosts with the opening of Taming Sari revolving tower & the "Eye on Malaysia" which opened in November 2008. Medical tourism in the state will be given a further boost following the initiative by the state government to build a Medical City at Gapam / Ayer Keroh.

Banking halls made a significant impact in 2008 in Melaka. OCBC Bank has been relocated to Dataran Pahlawan Melaka Megamall, the first banking hall premises within a retail centre in the state whilst three new banking halls opened in Cheng in 2008.

Following the entry of retailer Mydin in 2007, French retailing giant, Carrefour commenced business in 2008 whilst Tesco is expected to open its second outlet in 2009 in Cheng whilst construction works for a new Jaya Jusco shopping centre (beside the existing TESCO in Peringgt/ Bachang) is underway. Secondary popular commercial enclaves include Cheng/Paya Rumput and Bukit Katil/Ayer Keroh. The occupancy rate for shophouses in prime area such as Melaka Raya, Bachang, Malim & Cheng is good. Shops in Kota Gemilang, Ayer Keroh will be converted to a textile and home furnishing centre.



"Eye on Malaysia"

Melaka

Four New Banking Hall Facilities in Melaka in 2008

The first banking hall premises within a retail centre and another three new banking halls for Taman Cheng Baru



OCBC within Dataran Pahlawan

The supply of purpose-built office is limited with rentals stabilising at RM1.80-RM2.00 per sq ft. The relocation of government agencies to MITC in Ayer Keroh has created higher vacancy rates in the town area. The former United Melaka Rubber headquarters, a 3-storey free standing building with a basement/ floor at Jalan Laksamana Cheng Ho was sold at RM790,000 in October 2008.

Industrial activity in Cheng, Krubong, Rembia and Ayer Keroh remained energetic predominantly due to better infrastructure in these areas

- Vivo BioTech (M) Sdn Bhd announced plans to build a RM450 million research & manufacturing pharmaceutical facility on a 17.2 hectare site in Rembia
- Also in Rembia, US-based SunPower Corporation identified a 52 hectare site for a solar cell fabrication plant.

At the BIO2008 International Conference in June, the state authority announced the allocation of a 109 hectare site in Ayer Keroh to establish a RM1.5 billion Bio-City Melaka comprises laboratories, commercial, manufacturing centres, housing etc. under the leadership of Actics Biologics Malaysia Sdn. Bhd.

There were three hospitality sector facilities that were initiated in 2008:

- An 8-storey 166 room hotel in Melaka Raya
- A 7-storey 80 room hotel in Limbongan
- A 3.2 acres site by the Melaka River near Kota Laksamana will be developed with a RM85 million boutique hotel comprising 56 rooms and 32 serviced apartments to be known as Casa Del Rio Melaka.

The State Government initiated developments in 2008 include:

- The RM1.4 billion take-over of the stalled Pulau Melaka commercial project that was launched in 1996. The state authority intends to revive the project and construct a R&R facility on the state reserve land on the island. We have been given to understand that over 90% of the shops and apartments have already been sold.
- The RM1.8 billion AERORAIL (suspended carriages) urban mass transit system will be undertaken by Pyramid Express Sdn Bhd following the groundbreaking ceremony held at the Aerorail Hotel & Station at Lebuh Ayer Keroh. The entire 18.4 km system will run from Ayer Keroh toll plaza, Melaka Zoo, MITC, Melaka General Hospital, Melaka Sentral, Hang Tuah Mall to Bandar Hilir. The 9.5 km 1st phase expected to be completed in 2012.

2009 MARKET OUTLOOK

The tourism industry is expected to prosper in the light of the growing domestic market preference as more locals choose local destinations over the international destinations. The hospitality sector will benefit from the government initiated exercises such as the "Eye on Malaysia", improved airport facilities and medical tourism and this will have a spill-over effect on the retail sector.

Albeit a modest downturn is expected in general due to the global financial crisis which will have an impact on the industrial and commercial sub-sectors as global industrialists delve further away from significant investments. As a secondary town, the impact of economy slowdown will be moderate for Malacca, and generally "delayed" by 6-9 months.

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 2008, Johor mustered 22,502 property transactions (accounting for 13% of total transactions recorded in the country during the period). The value per transaction at RM344,515 is above the Malaysian average of RM272,369.

| | 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 2008 | 22,502 | 171,840 |
| Total property transactions, H1 2007 | 19,242 | 142,163 |
| Total value, H1 2008 | RM7,752.3 million | RM46,803.8 million |
| Total value, H1 2007 | RM3,938.7 million | RM33,335.4 million |
| Value per transaction, H1 2008 | RM344,515 | RM272,369 |
| Value per transaction, H1 2007 | RM204,696 | RM233,175 |

Source: JPPH, Ministry of Finance

In Johor, the bullish start to the year 2008 in the property sector was met with a cautious note with a notable slowdown in the number of transactions recorded by the year end. Albeit, the special economic zone, Iskandar Development Region (IDR), has managed to gain considerable interest in the state. IDR has rendered a new lease to infrastructure projects in Johor.

There was significant activity in Nusajaya/Pulai, Tebrau, Skudai, Port of Tanjung Pelapas and along the "new commercial satellite" corridor and township along Jalan Tan Swee Hoe in Batu Pahat, reflecting a positive and growing market.

Hektar REIT acquisition in Muar

The RM117.5 million acquisition by Hektar REIT for the 5-storey retail/hotel podium Wetex Parade and Classic Hotel in Bandar Maharani, District of Muar.



Wetex Parade/Classic Hotel

REITs entered the Johor market in 2007/2008 through Mapletree, Axis and Atrium REITs' interest in industrial properties in Port of Tanjung Pelepas, Senai, Plentong and Pasir Gudang. In 2008, Hektar REIT made a considerable RM117.5 million retail and hotel acquisition of Wetex Parade and Classic Hotel in Muar.

Similarly, confidence in the **retail market** is reflected in the opening of more retail centres:

- Plans are ahead to embark on developing the adjoining lot to Summit Parade in Batu Pahat. The 27,125 sq ft site has been earmarked for expansion to the existing shopping centre.
- Square One Shopping Mall in Batu Pahat is now open with Parkson Ria entering the retail market in Batu Pahat.
- Kluang Mall is now open offering over 250,000 sq ft of NLA with Pacific Hypermarket as its anchor tenant
- Pelangi Berhad is set to invest RM100 million to develop the existing Perling Mall.
- Danga City Mall (formerly Best World Plaza) is now open with Metrojaya as the anchor tenant.
- British retailer, Tesco, opened two new outlets in Plentong and Tebrau City
- Sutera Mall opened at Taman Sutera Utama offering about 300,000 sq ft of NLA with Carrefour as its anchor tenant.
- Senai Airport Terminal Services Sdn Bhd is investing RM70 million in the AeroMall project, Malaysia's first stand-alone external airport mall offering 100,000 sq ft NLA.
- A new Jusco opened in Bukit Indah

Johor

Notable infrastructure developments that commenced in 2008 include:-

- The 8.5 km RM1 billion Eastern Dispersal Link (EDL) linking the CIQ to the North-South Expressway
- The RM1 billion 15 km coastal highway linking Johor Bahru and Nusajaya/Johor State New Administrative Centre (JSNAC)
- The 9 km, RM190m, Second Permas Bridge and road to Pasir Gudang
- The Ulu Tiram flyover

Industrial activities in Johor received additional REIT and other investment injections in 2008. These include:

- Singapore's Mapletree Industrial Fund Ltd's purchase of four industrial properties in Tampoi for RM65.1 million in a Sale & Leaseback arrangement
- A subsidiary of Crescendo Corporation Berhad has launched an industrial park, Nusa Cemerlang Industrial Park in Nusajaya on a 213 hectare site for 352 factories for small-medium industries
- French-based oil & gas engineering company, Technip group will build a RM500 million plant on a 20 hectare seafront site in Tanjung Langsat Industrial Area.
- Four major foreign companies, Asiaflex, Kiswire Nepture, Acerinox and Lion Eco Cham will invest a total RM5.76 billion to undertake manufacturing activities in Tanjung Langsat Industrial Complex.
- Spanish-based stainless steel maker, Acerinox and Japan's Nisshin Steel plan to invest RM4.8 billion in a plant over a 140 hectare site located in Tanjung Langsat
- US-based oil & gas company, Halliburton, has opened a RM200 million manufacturing centre in IDR at Johor Technology Park.
- Frontken Corporation Berhad, a Mesdaq-listed company will set up a RM21.69 million plant in Nusa Cemerlang Industrial Park within IDR.

Other new developments that made inroads in Johor include:

- Mah Sing Properties Sdn Bhd's acquisition of nine parcels of land in Kangkar Pulai totaling 66.53 acres for RM23.185 million to develop Sri Pulai Perdana 2, a mixed residential / commercial development.
- Berjaya Land's RM10.5 million purchase of 2 adjoining parcels of land off the JB-Kota Tinggi main road.
- A subsidiary of Paramount Berhad's purchase of a 10 acre freehold agricultural land in East Ledang for RM13.068 million for the development of Sri KDU Smart School.
- Damac Properties (M) Sdn Bhd's purchase of 43.54 acres of land at Puteri Harbour for RM396.44 million inclusive of infrastructure
- Central Malaysian Properties Sdn Bhd is set to begin work on the RM2.7 billion Lido Boulevard waterfront project in IDR
- UEM Land Sdn Bhd has launched its first phase of the first resort residential development within IDR, East Ledang, comprising 139 units of link duplexes priced from RM500,000 and twin villas priced from RM850,000.
- BSEL Infrastructure Realty Ltd of India has committed to invest RM15 billion over the next 12 years in IDR and has signed a MoU with IRDA (Iskandar Region Development Authority)
- Construction has commenced on The Newcastle University of UK plans to open a medical campus within IDR and is projected to be completed by 2011.
- A subsidiary of PJ Development Holdings Bhd launched an exclusive 12.8 hectare gated & guarded residential scheme known as Taman Pulai Bayu @ Mont's Callista along the Pulai corridor. 192 3-storey semi-detached homes are offered priced from RM500,000
- Pelaburan Hartanah Bumiputera Berhad is in negotiations to purchase a 30 acre site within the financial district of Node 1 IDR.

Johor

New retail centres for Johor

- Danga City Mall (formerly known as Best World Plaza) opened with Metrojaya as its anchor tenant
- Tesco Plentong
- Tesco Tebrau City
- Sutera Mall at Taman Sutera Utama
- Kluang Mall
- Square One Shopping Mall opened in Batu Pahat with Parkson Ria as its anchor tenant
- Jusco Bukit Indah



Square One Shopping Mall, Batu Pahat



Sutera Mall, JB

2009 MARKET OUTLOOK

The overall property market is to be affected by the current economic crisis especially with the health of the Singapore economy recently experiencing a technical recession which is expected to worsen in 2009.

The only possible stable locations in terms of property prices would be the various areas in Johor Bahru which would have enhanced accessibility due to the various upgrading and new roads to be completed in the year 2009. The notable ones would be the coastal highway linking JB city to the new administrative centre in Nusajaya and the Permas Jaya to Pasir Gudang Highway.

Considering the above scenario as well as the low property prices coupled with the higher cost of construction but taking note of the overall oversupply of properties in most sectors, it is also not likely for Johor Bahru to experience any significant depreciation in values.

2009/10 should provide a window of opportunity for investors and home buyers to purchase or invest in quality properties.

In Batu Pahat, optimism surrounds the emerging commercial district along Jalan Tan Swee Hoe awaiting the spin-off effects from the Square One Shopping Mall.

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 2008, Pahang recorded 7,461 property transactions. The value per transaction at RM167,110 is significantly below the Malaysian average of RM272,369. The agricultural sector accounts for 41% number of sales compared with almost 45% residential sales in Pahang.

| | 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 2008 | 7,461 | 171,840 |
| Total property transactions, H1 2007 | 6,689 | 142,163 |
| Total value, H1 2008 | RM1,246.8 million | RM46,803.8 million |
| Total value, H1 2007 | RM1,029.24 million | RM33,335.4 million |
| Value per transaction, H1 2008 | RM167,110 | RM272,369 |
| Value per transaction, H1 2007 | RM153,871 | RM233,175 |

Source: JPPH, Ministry of Finance

As commodity prices (CPO & FFB) remain as the driving force of the Pahang state economy, the property sector is responding in tandem with the situation and has cautiously adopted the "wait-and-see" reaction in the real estate market. Notwithstanding the overall economic mood, the residential sector has been active in choice locations such as Sri Kuantan, Air Putih, Galing, Bukit Sekilau, Teruntum and Bukit Setongkol.

The East Coast Economic Region (ECER) schemes and programmes have created some activity in the market as follows:

- London Stock Exchange listed Malaysian gold miner, Peninsular Gold Ltd has committed RM60 million in ECER to build a plant in Raub to extract 85% of gold residue left in mine tailings
- Studies are being conducted to enhance facilities to convert Kuantan into a logistics hub in line with ECER. This is to be carried out at Kuantan Port and Kuantan

Airport. The proposal is to increase the current capacity of 18 metric tonnes to 30 metric tonnes by 2020 at the port which is the only port on the east coast that is handling container traffic

- US-based Bio-Cellular Research Organisation is planning to relocate its stem cell manufacturing plant from Slovakia. The RM280 million facility will be the world's largest and 80 hectares has been identified in Janda Baik

The retailing scene witnessed the opening of Mahkota Square and Mahkota Putra at Bandar Indera Mahkota as well as the East Coast Mall at Putra Square. The East Coast Mall has brought in Parkson and French retailing group, Carrefour. This mall is also surrounded by Putra Square comprising 150 units of newly completed 3-storey shopoffices themed The Malay Town, The Indian Town, China Town and ICT Hub.

The completion of East Coast Mall in 2008

The completion of East Coast Mall brings an additional 600,000 sq ft of retail space with anchor tenants Parkson and Carrefour.



East Coast Mall



Putra Square

Pahang

In the industrial sector activity was confined to the completion of expansion works at oil & gas plants as well as steel and oil palm based companies located at Gebeng and Kuantan Port Industrial areas. In 2008, the Mission BioFuel plant at Kuantan Port Industrial area was completed and fully commissioned

Other notable real estate projects/ventures undertaken in 2008 include:

- The first largest water park in the east coast, Bukit Gambang Resort City. Developed by Sentoria Harta Sdn Bhd, the 500 acre development will sprawl over the former mining town on Gambang. It will be developed with the Caribbean Bay Resort which was launched in June 2007 offering 560 residential units of which almost 80% have been taken-up. The adjoining waterpark is also under construction and is scheduled to be open to public in 2009. Other development components include a township comprising low and medium-cost residential units and Desa Hijauan shopoffices which has already been launched with encouraging sales rates.
- A gated & guarded project has been proposed by MTM Millenium Holdings Sdn Bhd to be known as Casa Del Hanna in Cherating. It will offer 20 villas and 49 apartments

- A subsidiary of PJ Holdings Berhad, Bindev Sdn Bhd has launched a low-density residential project at Bukit Istana offering 148 units of 2-storey semi-detached units and 4 bungalows
- Kurnia Setia Development Sdn Bhd's acquisition of 1,500 acres of plantation land at Bukit Goh at RM30.6 million. The site will be subdivided into a 245 acre Kota Sri Ahmad Shah, 177 acre State Government Administrative Centre and 1,078 acres for realienation to agricultural use.

Infrastructural projects that would have a future bearing on the real estate market include:

- The completion of the expansion of the Kuantan Bypass
- Upgrading and expansion progressing at the Kuantan-Pekan road
- Upgrading and expansion just commenced on the Sg Lembing road connecting the East Coast Expressway (ECE)

2009 MARKET OUTLOOK

The Pahang real estate market is sensitive to commodity prices and hence the market remains volatile.

Elsewhere in other major towns in Pahang, the general sentiment and mood are similar to Kuantan, the state capital. Except for the opening of medium size supermarkets in these towns by the local supermarket groups, some small pocket developments in the residential and commercial sectors are observed to have

taken place there to cater to the local demand. These townships generally serve as trading and service centres for the respective districts in the state.

The total number of agricultural sale transactions in Pahang accounts for about 40% of all transactions. However, the interest in this sub-sector would , in 2009, depend of the movement and stability of commodity prices.

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 2008, the value per transaction in Kelantan and Terengganu was RM59,639 and RM71,302 respectively - ranked the lowest values per transaction in the country.

| | 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 2008 | 4,180 | 8,907 | 171,840 |
| Total property transactions, H1 2007 | 3,841 | 7,261 | 142,163 |
| Total value, H1 2008 | RM249.3 million | RM635.1 million | RM46,803.8 million |
| Total value, H1 2007 | RM175.2 million | RM434.9 million | RM33,335.4 million |
| Value per transaction, H1 2008 | RM59,639 | RM71,302 | RM272,369 |
| Value per transaction, H1 2007 | RM45,611 | RM59,902 | RM233,175 |

Source: JPPH, Ministry of Finance

The property market remained relatively stable in both Kelantan and Terengganu in 2008 where both the residential and agricultural sectors led the market. The entry of retail centres lent some excitement to Kota Bharu and Kuala Terengganu.

Mesra Mall, Kemaman

The RM100 million shopping complex was opened in Kerteh, Kemaman. The development is sprawled over a 29.6 acre site and operated by KLCC Holdings Berhad. The location of this retail centre is expected to cater for a catchment from Kemasik, Paka, Kerteh, Kijal and Chukai.

Kelantan

Commercial activity in 2008 was confined to Jalan Pengkalan Chepa, Jalan Sultanah Zainab, Jalan Sultan Ibrahim and Jalan Kuala Krai.

- Vibrant commercial activity is expected to further extend to Bandar Baru Tunjong and Bandar Baru Kubang Kerian upon the completion of two hypermarkets by the Mydin group. The 140,000 sq ft Kubang Kerian outlet will be open in March 2009 whilst

the RM100 million MyDin Wholesale Emporium will offer 650,000 sq ft of retail space at Bandar Baru Tunjong.

- Bazaar Tengku Anis, developed by Sensatimur Sdn Bhd along Jalan Tg Puteri / Jalan Tengku Sri Akar will offer 930 retail lots upon completion by mid-2009

Skyscraper for Kota Bharu - Dataran Raja Dewa

Petraz Holdings Sdn Bhd proposes a RM300 million integrated development along Jalan Raja Dewa on a 6.4 hectare site. Components within this project include 31-storey twin towers, hypermarket, hotel, 40 shopunits, 12-storey serviced apartment and 126 townhouses

Kelantan & Terengganu

Terengganu

Commercial activity in 2008 was confined to Jalan Sultan Zainal Abidin, Jalan Hiliran, Jalan Sultan Mahmud and Jalan Sultan Mohamad whilst new residential developments are now reaching out to Kuala Ibai, Wakaf Mempelam, Durian Burung and Gong Badak.

The Terengganu retail sector has been given a boost within and outside Kuala Terengganu:

- Following the opening of Mydin Hypermarket in Kuala Terengganu in 2007, the retail group has plans to expand to Kuala Berang, Bukit Payong and Gong Badak
- Outside the capital, a brand new RM100 million Mesra Mall opened in Kerteh, Kemaman to serve a wide catchment from Kemasik, Paka, Kerteh, Kijal and Chukai.

- The RM94.4 million Paya Bunga Square integrated development is expected to open in 2009. The components include a 4-storey podium retail centre, 5-star 201-room hotel and office tower.

The hospitality sector in Terengganu has been active with the following:

- Proposal to develop the nation's 1st Islamic themed hotel. The 182-room RM20 million 3-star Wakaf Hotel will be built on a 1.73 acre site adjacent to Masjid Sultan Zainal Abidin
- Hotel Felda Residence has been proposed for a site adjacent to Istana Bukit along Jalan Hiliran. The 21-storey RM26.5 million development will provide 101 rooms.
- The 120-room Sutra Beach Resort in Kampung Rhu Tapai in Merang has been acquired for RM20 million. The purchasers will spend RM6 million to convert it into a Casa del Mar or Concorde brand.

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.

In 2008, new initiatives included:

- Terengganu Agrotech Development Corporation Sdn Bhd plans to increase fish production at Lake Kenyir from the 200 metric tones to 2,000 metric tones
- As kenaf farming (production of jute fibre) has come to the forefront of the ASEAN Free Trade Area, the state is replacing tobacco production with kenaf farms in Bachok Kelantan
- Hi-Essence Cable Sdn Bhd is investing RM50 million for a cable plant for ECER plastic park in Kertih. It is located close to the Petronas petrochemical complex, the key customer for plastic cable pipes
- A RM2 million goat breeding facility will be established in the Serating Permanent Food Production Park in Marang. The operators, Cosmopal Sdn Bhd plan to establish Terengganu as a goat and mutton hub.

2009 MARKET OUTLOOK

Overall, the property sector will face a tough and challenging year. The property market is generally expected to decline due to economic uncertainties. However, house prices are not expected to be reduced much as the land and development costs continue to

remain high. Demand for reasonably priced medium cost houses are expected to remain stable.

Demand for shophouses is expected to decline due to oversupply especially in the District of Kota Bharu.

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 2008, Sabah mustered 5,443 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 RM306,985 is above the Malaysian average of RM272,369.

| | 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 2008 | 5,443 | 171,840 |
| Total property transactions, H1 2007 | 4,229 | 142,163 |
| Total value, H1 2008 | RM1,670.92 million | RM46,803.8 million |
| Total value, H1 2007 | RM1,246.53 million | RM33,335.4 million |
| Value per transaction, H1 2008 | RM306,985 | RM272,369 |
| Value per transaction, H1 2007 | RM294,758 | RM233,175 |

Source: JPPH, Ministry of Finance

It was a confident property market in the first three quarters of 2008 in Sabah where all time highs were reached in the agricultural sector. Prime oil palm land peaked at RM80,000 per hectare in Tawau and the CPO/FFB peaked at +RM4,000/770, briefly, in March, then plateaued at around RM3,500/RM700 in April-July 2008. The early 2008 CPO/FFB had been fuelling investment demand for shophouses and residential units along the east coast as well as in Kota Kinabalu. By year end the property bull run slid southward into a sombre mood in tandem with plunging commodity demand and prices.

Oil palm sector breaches highest transacted prices for oil palm land and CPO/FFB prices

- The highest transacted prices of prime oil palm land leaped to RM80,000 per hectare in 2008 in Tawau (74.708 hectares (184.60 acres) at Sg. Burung, Tawau dated 09/09/08. These prices plateaued out by the 3rd quarter of 2008.
- In March 2008, the best ever CPO/FFB prices peaked at RM4,000/RM770 per tonne

In Sandakan, Mile 4-6 North Road was identified with considerable activity as was Jalan Kota Kinabalu-Sulaman northwards from Kota Kinabalu city. Activity in Tawau was confined to Jalan Bunga Raya, Jalan Sin On and Jalan Kuhara as well as commercial developments surrounding Eastern Plaza Shopping Mall, Sabindo Square and Fajar Complex.

The completion of Kota Kinabalu International Airport's (KKIA) new terminal is expected to increase to passenger capacity which will have positive spin-offs on the state's tourism industry.



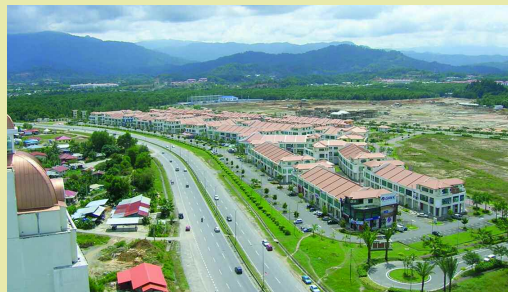
Completion of the new terminal at Kota Kinabalu International Airport (KKIA) in 2008 - the gateway to Sabah

Sabah

The opening of the largest mall in East Malaysia, 1Borneo Hypermall, along the KK-Sulaman corridor north of Kota Kinabalu city has taken the retail scene in the state to a different level offering well over a million sq ft of retail space, 4 hotels (including the already operational Tune Hotel), as well as other ancillary components. This mega project was undertaken by Sagajuta (Sabah) Sdn Bhd and State investment arm Warisan Harta Sdn Bhd and on a 23.3 acre site owned by the United Sabah Islamic Association (USIA). The spill-over effect of this project has certainly created a demand for commercial and residential developments along the KK-Sulaman corridor which includes the ongoing Alamesra and Kingfisher developments.



1Borneo Hypermall developed by Warisan Harta Sdn Bhd and Sagajuta (Sabah) Sdn Bhd. Anchor tenants include Golden Screen Cinema, Giant hypermarket, Tune Department Store, U-Bowl bowling centre



Caption: Alamesra Shopoffices, part of the larger Alamesra development located along Jalan KK-Sulaman

Outside Kota Kinabalu, excitement in the retail sector drew big crowds to the newly completed Eastern Plaza Shopping Mall (145,000 sq ft) & Hotel (180 rooms) in Tawau whilst piling works has commenced on Harbour Mall at the Sandakan Harbour Square. In Keningau, the completion of Mega Shopping Complex and the construction of Keningau Plaza Phase 2 indicates confidence in the market where 3-storey shophouses have breached the RM700,000 mark.

Acquisition of the year 2008

Yuwang Plantation Sdn Bhd's RM160 million purchase of 4,017 hectares of mature oil palm land from Dutaland Berhad in Tawau. These were Ladang Sg Tingkayu in Kunak and Ladang Ulu Inγκayu in Kunak/Lahad Datu.

The Palm Oil Industrial Cluster (POIC) in Sandakan witnessed the completion of the land acquisition for the proposed Seguntor Sandakan POIC Industrial Estate. The construction and installation of the 100,000 tonnes/annum biodiesel plant is almost ready for commissioning in Seguntor.

2009 MARKET OUTLOOK

The 2008 completion of Kota Kinabalu International Airport's (KKIA) new terminal as well as the 2009 scheduled completion of the runway and expansion exercise is expected to give rise to tourism passenger capacity which will have positive spin-offs on the state's tourism and hospitality related industry.

The commissioning of the POIC Seguntor in Sandakan in 2009 is expected to lead Sabah's industrial and oil palm processing capacity.

There is some cause for concern for the retail sector in Kota Kinabalu in 2009 due to the 2007/2008 completion of retail centres and ongoing retail-related projects.

Tawau was designated as the food & marine production centre in Sabah under the Sabah Development Corridor

that was launched in January 2008. The already established aqua-culture industry is expected to move ahead in 2009.

In Lahad Datu, the market has been driven by commodities particularly oil palm and hence the fall in commodity prices will lead to decreased margin for the planting industry.

In January 2009, CPO/FFB prices were around RM1,800/320, having recovered considerably from the nadir of RM 1,200/210 at the end of 2008. Future price trends are likely to be dictated by the April-May soya bean harvest from Argentina and Brazil; a predicted reduced crop resulting from El Niño would boost prices of all eatable oils and fats, including CPO, while a bumper crop would depress prices.

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

The already slow-going property market of Sarawak in the first half of 2008 was shaken by the sharp increase in fuel prices on 5th June, 2008. The situation got worse towards the end of 2008 due to the onslaught of global recession, sharp fall of commodities prices, the slide of the Bursa stock market and the slow down of the local economy, notwithstanding the gradual reduction in fuel costs and inflation rates. Many export related companies either cut or stop production, cut salary and cut jobs due to lack of demand and sharp falling prices for timber and crude palm oils.

The primary housing market, particularly the high-ends, is seriously hurt due to lack of demand and more cautious lending by the banks, despite the reduction by banks of base lending rate by 0.25% to 6.50% from 6.75% after Bank Negara Malaysia cut its OPR by 0.25% on 24th November, 2008.

There have been a rising number of foreclosure sales by financing institutions.

The market performance in 2008 for the private housing, commercial and industrial sector for the four (4) major towns of Kuching, Sibul, Bintulu and Miri can be more clearly seen from the Tables below.

Private Housing at 4 major towns in Sarawak

| Town | Type | 2008 | | | | 2007 | | | | 2006 | | | |
|-----------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | Launched | Started | Completed | UC | Launched | Started | Completed | UC | Launched | Started | Completed | UC |
| Kuching | DH1T | 115 | 89 | 344 | 798 | 261 | 752 | 730 | 1053 | 1039 | 591 | 1269 | 1031 |
| | DH2T | 566 | 289 | 451 | 1212 | 913 | 1038 | 1246 | 1374 | 980 | 850 | 1029 | 1582 |
| | DH1SD | 143 | 143 | 74 | 273 | 142 | 142 | 225 | 204 | 125 | 153 | 168 | 287 |
| | DH2SD | 132 | 74 | 126 | 472 | 418 | 402 | 392 | 524 | 242 | 224 | 335 | 514 |
| | Quadruplex | 0 | 0 | 0 | 0 | 0 | 0 | 504 | 0 | 0 | 0 | 0 | 504 |
| Subtotal | | 956 | 595 | 995 | 2755 | 1734 | 2334 | 3097 | 3155 | 2386 | 1818 | 2801 | 3918 |
| Sibu | DH1T | 349 | 958 | 289 | 1363 | 188 | 531 | 279 | 694 | 883 | 333 | 197 | 442 |
| | DH2T | 857 | 733 | 647 | 1565 | 487 | 572 | 833 | 1479 | 1007 | 964 | 849 | 1740 |
| | DH1SD | 40 | 48 | 16 | 82 | 14 | 42 | 22 | 50 | 68 | 26 | 0 | 30 |
| | DH2SD | 215 | 188 | 211 | 437 | 190 | 230 | 339 | 460 | 282 | 256 | 149 | 569 |
| Subtotal | | 1461 | 1927 | 1163 | 3447 | 879 | 1375 | 1473 | 2683 | 2240 | 1579 | 1195 | 2781 |
| Bintulu | DH1T | 62 | 43 | 15 | 177 | 160 | 160 | 43 | 149 | 35 | 35 | 48 | 32 |
| | DH2T | 60 | 70 | 56 | 138 | 24 | 24 | 211 | 124 | 129 | 117 | 167 | 311 |
| | DH1SD | 14 | 44 | 14 | 30 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | DH2SD | 22 | 37 | 56 | 38 | 28 | 0 | 70 | 57 | 46 | 28 | 119 | 127 |
| Subtotal | | 158 | 194 | 141 | 383 | 220 | 184 | 324 | 330 | 210 | 180 | 334 | 470 |
| Miri | DH1T | 595 | 753 | 999 | 739 | 229 | 736 | 387 | 985 | 722 | 444 | 1364 | 636 |
| | DH2T | 170 | 367 | 227 | 408 | 121 | 222 | 407 | 268 | 256 | 194 | 219 | 453 |
| | DH1SD | 98 | 138 | 153 | 184 | 199 | 208 | 166 | 199 | 96 | 88 | 134 | 157 |
| | DH2SD | 249 | 357 | 162 | 407 | 100 | 123 | 274 | 212 | 268 | 215 | 96 | 363 |
| Subtotal | | 1112 | 1615 | 1541 | 1738 | 649 | 1289 | 1234 | 1664 | 1342 | 941 | 1813 | 1609 |
| Total | | 3687 | 4331 | 3840 | 8323 | 3482 | 5182 | 6128 | 7832 | 6178 | 4518 | 6143 | 8778 |

Sarawak

Shophouse at 4 major towns in Sarawak

| Town | Type | 2008 | | | | 2007 | | | | 2006 | | | |
|-----------------|------|------------|------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|-------------|
| | | Launched | Started | Completed | UC | Launched | Started | Completed | UC | Launched | Started | Completed | UC |
| Kuching | SH1T | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | SH2T | 0 | 35 | 0 | 35 | 0 | 0 | 10 | 0 | 35 | 0 | 2 | 10 |
| | SH3T | 160 | 118 | 260 | 280 | 147 | 285 | 175 | 422 | 256 | 188 | 263 | 312 |
| | SH4T | 111 | 51 | 2 | 152 | 53 | 62 | 66 | 103 | 6 | 6 | 152 | 107 |
| | SH6T | 12 | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 12 | 1 |
| | SH7T | 0 | 0 | 2 | 2 | 0 | 0 | 0 | 4 | 0 | 0 | 0 | 4 |
| Subtotal | | 283 | 204 | 264 | 470 | 200 | 347 | 251 | 530 | 297 | 194 | 429 | 434 |
| Sibu | SH1T | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | SH2T | 4 | 10 | 0 | 53 | 49 | 43 | 87 | 43 | 43 | 43 | 10 | 87 |
| | SH3T | 51 | 124 | 134 | 176 | 91 | 110 | 0 | 186 | 144 | 47 | 17 | 76 |
| | SH4T | 17 | 17 | 11 | 17 | 0 | 0 | 47 | 11 | 18 | 19 | 44 | 58 |
| Subtotal | | 72 | 151 | 145 | 246 | 140 | 153 | 134 | 240 | 205 | 109 | 71 | 221 |
| Bintulu | SH1T | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | SH2T | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | SH3T | 0 | 0 | 159 | 7 | 0 | 6 | 30 | 166 | 96 | 190 | 186 | 190 |
| | SH4T | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 0 | 7 | 7 | 0 | 7 |
| Subtotal | | 0 | 0 | 159 | 7 | 0 | 6 | 37 | 166 | 103 | 197 | 186 | 197 |
| Miri | SH1T | 20 | 20 | 0 | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | SH2T | 54 | 54 | 0 | 102 | 0 | 0 | 32 | 48 | 32 | 21 | 52 | 80 |
| | SH3T | 125 | 71 | 9 | 125 | 0 | 0 | 18 | 63 | 21 | 31 | 117 | 81 |
| | SH4T | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | | 199 | 145 | 9 | 247 | 0 | 0 | 50 | 111 | 53 | 52 | 169 | 161 |
| Total | | 554 | 500 | 577 | 970 | 340 | 506 | 472 | 1047 | 658 | 552 | 855 | 1013 |

Industrial Units at 4 major towns in Sarawak

| Town | Type | 2008 | | | | 2007 | | | | 2006 | | | |
|-----------------|------|------------|------------|------------|------------|------------|------------|-----------|------------|------------|----------|------------|------------|
| | | Launched | Started | Completed | UC | Launched | Started | Completed | UC | Launched | Started | Completed | UC |
| Kuching | I2SD | 0 | 0 | 120 | 48 | 20 | 162 | 0 | 168 | 120 | 0 | 128 | 6 |
| | I2D | 0 | 1 | 1 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| Subtotal | | 0 | 1 | 121 | 49 | 20 | 162 | 0 | 169 | 120 | 0 | 128 | 7 |
| Sibu | I2T | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | I2SD | 68 | 90 | 76 | 70 | 50 | 50 | 46 | 56 | 40 | 0 | 144 | 52 |
| | I2D | 5 | 1 | 7 | 3 | 8 | 6 | 3 | 9 | 0 | 0 | 0 | 0 |
| Subtotal | | 73 | 91 | 83 | 73 | 58 | 56 | 49 | 65 | 40 | 0 | 144 | 52 |
| Bintulu | I2T | 0 | 0 | 0 | 0 | | | | | | | | |
| | I2SD | 20 | 26 | 16 | 34 | 58 | 0 | 0 | 24 | 0 | | 0 | 24 |
| | I2D | 0 | 0 | 0 | 0 | | | | | | | | |
| Subtotal | | 20 | 26 | 16 | 34 | 58 | 0 | 0 | 24 | 0 | 0 | 0 | 24 |
| Miri | I2T | 17 | 17 | 0 | 17 | | | | | | | | |
| | I2SD | 68 | 68 | 12 | 68 | 10 | 12 | 30 | 12 | 72 | | 0 | 30 |
| | I2D | 0 | 0 | 0 | 0 | | | | | | | | |
| Subtotal | | 85 | 85 | 12 | 85 | 10 | 12 | 30 | 12 | 72 | 0 | 0 | 30 |
| Total | | 178 | 203 | 232 | 241 | 146 | 230 | 79 | 270 | 232 | 0 | 272 | 113 |

Sarawak

Private Housing in 2008

2008 was a quiet year especially for the big players. Launches for the year were small and piece-meal and came mostly from small to medium developers. Although the overall number of units launched was comparable to 2007, there was a sizeable drop in housing construction started and units completed during 2008.

Hospitality and retail in 2008

Despite the apparent slow down in the property sector, the retail and hospitality sector seemed to have picked up speed in the last 2 years especially in the capital city of Kuching, probably due to pent-up demand since the last financial crisis.

New hotels in operation since the 2nd half of the year include 360 Hotel (newly refurbished Hock Lee Centre Condominiums) in Kuching and Bintulu Beach Resort Condominium. Coming onto the market in the next year or so are namely, the Novotel, Four Points by Sheraton and Tune Hotel in Kuching; and Tune Hotel and Sheraton in Miri with the 1st 2 incorporating retail/commercial space.

Two big malls which opened in 2008, namely, The Spring and Boulevard Centre in Kuching, have seen encouraging occupancy rates of more than 80% and increasing business activity despite depressed consumer sentiments. These have been followed by smaller neighbourhood malls like Green Heights Mall and One TJ which opened in the last quarter of 2008. A few more such as One Jaya, Precinct 88, Novotel and the Four Points by Sheraton are scheduled to come onto the scene by 2009.

2009 MARKET OUTLOOK

With the general economy expected to slow down further in 2009 and poor export markets for major commodities (oil and gas, timber, crude palm oil) of Sarawak in 2009, we expect the Sarawak property market to worsen in 2009 due to deteriorating market confidence, consumer and business alike. Property market sentiments will be further dampened by rising business failures, rising unemployment, salary cuts, difficult business and employment environments and general uncertainty as to when the global recession would be over.

With rising unsold inventory, declining building materials costs and increasing foreclosure sales, many prospective buyers have adopted a wait-and-see attitude, waiting to enter the market when the prices are reduced to more affordable levels.

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

- Valuation
- Market Research Studies
- Consultancy

AGENCY & TRANSACTIONAL SERVICES

- Estate Agency
- Project Marketing
- Investments
- Corporate Real Estate

MANAGEMENT SERVICES

- Development Management
- Property Management

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 intermedating 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

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