

MARKETBEAT

KUALA LUMPUR OFFICE REPORT

YY PROPERTY SOLUTIONS IN ASSOCIATION WITH CUSHMAN & WAKEFIELD

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2Q2010

First Quarter of Growth Strongest in 10 Years

A broad-based recovery helped the Malaysia economy record its largest expansion in a decade during the 1st quarter of 2010, with real GDP increasing by 10.1% from a year earlier.

The central bank raised its policy interest rate for the second time this year in mid-May, lifting borrowing costs by 25 basis points to 2.50%. Bank Negara Malaysia considers that interest rates are heading towards normal levels but are still supportive of growth in an environment of international uncertainty.

The inflation is expected to rise gradually in 2010 as growth strengthens.

Outlook

Despite positive sentiment surrounding the Malaysia economy, the Kuala Lumpur office market has remained soft and this is expected to continue for the next 6 months.

The average rental rates are facing downward pressure, even for some of the prime office buildings. Landlords are and have been offering better terms to tenants due to increase competition from existing and newly completed office buildings. The pace of demand for office space has yet to match the improved economic environment, although there are more active enquiries as compared with the previous quarters.

Notwithstanding the above, the review period witnessed Bank Negara issued 5 new commercial banking licenses to foreign banks, i.e. BNP Paribas SA, Mizuho Corporate Bank, National Bank of Abu Dhabi, PT Bank Mandiri (Persero) Tbk and Sumitomo Mitsui Banking Corp. This approval will augur well for the office market as demand for office space is essentially driven by employment generation within the service sector.

On the investment front, the capital value is expected to remain stable in 2010.

GRADE A RENTS AS OF 2Q 2010

Location	Rent (Net Effective on NLA)			% Change from (Local currency)		6 mth
	RM	€	US\$	3	1	
	/sq.ft. /mth	/sq.m. /yr	/sq.ft. /yr	mth ago	yr ago	
Prime KL Centre	6.02	194.77	22.29	-2.9%	-4.7%	↘
KL Fringe	4.66	150.80	17.26	0.0%	-2.1%	↘

Legend

Market Rising ↗ Market Stable → Market Falling ↘

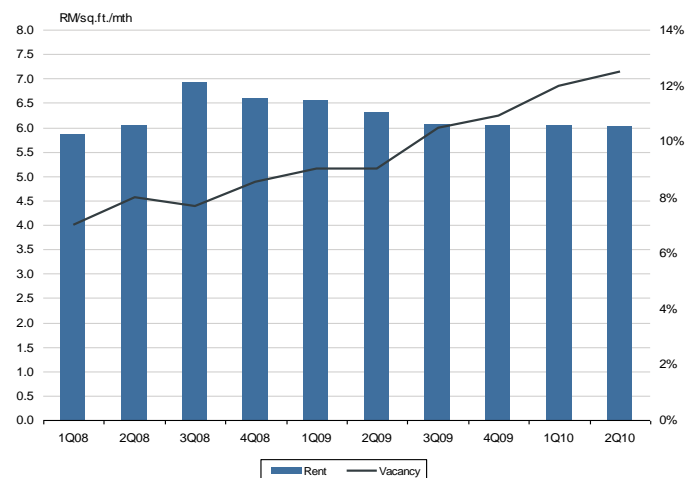
SIGNIFICANT NEW LEASE TRANSACTIONS

Building	Tenant	Sq. Ft.	Location
Menara Maxis	ICBC Bank	7,000	KL
Menara Maxis	Goldmen Sachs	7,000	KL
Bangsar South	MEPS	55,000	Fringe KL
Tropicana City	CIMB Investment	15,000	PJ
Surian Tower	P&G	26,000	PJ

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

Building	Location	Office NLA	Completion Date
Menara Worldwide	KL City	277,000	3Q2010
Hampshire Place	KL City	240,000	4Q2010
Cap Square Tower 2	KL City	600,000	4Q2010
Glomac Tower	KL City	520,000	4Q2011
Menara Chua	KL City	370,000	4Q2011
Integra Tower	KL City	736,000	2Q2012

GRADE A RENT AND VACANCY



ECONOMIC INDICATORS				
	Latest Release		Average	
			FY 2009	FY2010F
Real GDP Growth	1Q2010	10.1%	4.70%	6.90%
Unemployment	2Q2010	3.20%	3.60%	3.70%
Prices (CPI)	1Q2010	1.30%	0.60%	2.10%
Base Lending Rate	June 2010	6.05%	5.60%	6.20%

Source: Statistics Department, Malaysia; Bank Negara Malaysia; Consensus Economics

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