

MARKETBEAT

KUALA LUMPUR OFFICE REPORT



A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

2Q 2009

1st Quarter Contraction Worse Than Expected

Following scant growth of 0.1% (y-o-y) between October and December last year, real GDP growth slipped into negative territory in the 1st Quarter after registering a worse-than-expected 6.2% contraction.

Bank Negara Malaysia (BNM) expects the economy to have entered a short-lived recession during the current quarter, predicting that the recovery will gather pace in the 2nd half of 2009 as earlier fiscal stimulus measures, along with the central bank's brief cycle of monetary easing, begin to take effect.

Despite the Central Bank's relative optimism over the growth outlook, the government slashed its 2009 growth target. The authorities are now projecting a full-year contraction of 4.0 – 5.0%, against a forecast of between +1.0% and -1.0% previously.

Investment Activities

Hap Seng Consolidated Berhad has offered RM800 – RM900 per sq. ft. to purchase half of Menara Citibank (total net lettable area = 733,626 sq. ft.)

Shell Malaysia is expected to occupy approximately 340,000 sq. ft. of office space within 348 Sentral for 15 years – anticipated for completion in 3rd quarter of 2012.

Tenant Demand

As at 2Q2009, the recovery of property activities in the Klang Valley was notably seen, albeit on a slower mode.

Nevertheless, the office market for the next 3 months is expected to take time to absorb the in-coming new supply within Klang Valley as a result of uncertain economic sentiment and weaker tenant demand, especially on quality tenants. Some landlords have taken the initiative to attract and retain tenants.

The situation is likely to provide opportunities to tenants to upgrade space or renegotiate lower occupancy costs.

GRADE A RENTS AS OF 2Q 2009

Location	Rent (Net Effective on NLA)			% Change from (Local currency)		6 mth Outlook
	RM	€	US\$	3	1	
	/sq.ft. /mth	/sq.m. /yr	/sq.ft. /yr	mth ago	yr ago	
Prime KL Centre	6.30	163	21	-4.6%	7.8%	➔
KL Fringe	4.76	123	16	-2.6%	9.6%	➔

Legend

Market Rising ➔ Market Stable ➔ Market Falling ➔

SIGNIFICANT NEW LEASE TRANSACTIONS

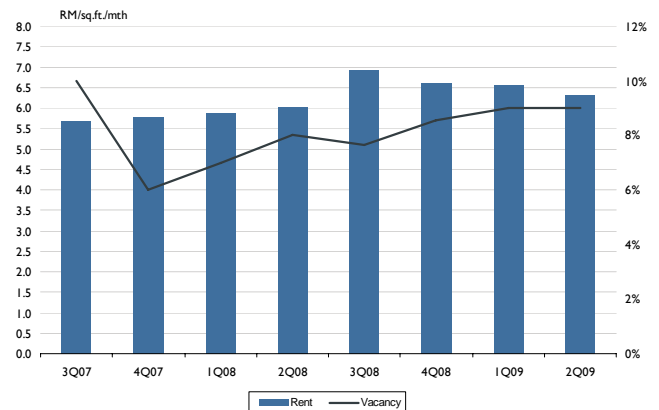
Building	Tenant	Sq. Ft.	Location
Menara See	Malaysia Thailand	15,000*	KL City
Hoy Chan	Joint Authority		
KL Sentral Quill 7	Confidential	60,000*	Fringe KL
	Axiata	50,000	Fringe KL
	Teledirect	40,000	Fringe KL
	CEO Suite	14,000	Fringe KL
North Towers, The Gardens	Northgate Arinso	16,000	Fringe KL
	MinCom	16,000	Fringe KL
	BHP Billiton	50,000	Fringe KL
Kelana Brem Towers	Kemuncak Facilities Management	10,000*	Suburbs

*Concluded by YY Property Solutions Sdn Bhd in association with Cushman & Wakefield

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

Building	Location	Office GFA (Sq. Ft.)	Completion Date
G Tower	KL City	500,000	3Q09
The Icon	KL City	507,265	3Q09
Surian Tower	Mutiara		
	Damansara	340,000	3Q09
I First Avenue	Bandar		
	Utama	630,000	1Q10

GRADE A RENT AND VACANCY



ECONOMIC INDICATORS

	Latest Release		Average FY 2007	FY2008
Real GDP Growth	Jan – Mar 09	-6.20%	6.20%	4.60%
Unemployment	Jan – Mar 09	4.00%	3.20%	3.30%
Prices (CPI)	Jan – May 09	3.30%	2.00%	5.40%
Base Lending Rate	June 09	5.55%	6.80%	6.50%

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

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