

MARKETBEAT

KUALA LUMPUR OFFICE REPORT

YY PROPERTY SOLUTIONS IN ASSOCIATION WITH CUSHMAN & WAKEFIELD

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4Q2010

Overview

The release of the 3rd quarter national accounts data confirmed that the recovery in Malaysia is moderating. Real GDP growth eased to a weaker than expected 5.3% (y-o-y), down from 8.9% in the 2nd quarter and a robust 10.1% recorded in the 1st quarter of 2010.

In light of the softer outturn, the central bank of Malaysia has maintained the interest rates at 2.75% in order to sustain the growth with a 2.0% acceleration in consumer prices is expected by end of 2010.

Market Outlook

The office market is expected to remain soft and competitive due to completion of new buildings in 2011 as well as the completed refurbished office buildings. The "tenant favoured market" is expected to prevail and thus, more incentives other than rent free and fit out allowances are expected to be offered by the landlords, especially buildings with high vacancies.

The average occupancy rates and the rental rates are expected to come under pressure in 2012 with large incoming supply completed in the city centre and the fringe KL. Nevertheless, the government initiatives such as the Government's Economic Transformation Programme (ETP), the I3I entry point projects (EPPs) and the proposed infrastructure projects, i.e. the MRT and the extension of the LRT lines are expected to create business and job opportunities and thus, this may cushion the impact of the large incoming supply of new office buildings.

ECONOMIC INDICATORS

		Latest Release	Average	
			FY 2009	FY2010
Real GDP Growth	3 ^Q 2010	5.30%	-1.70%	4.1%
Unemployment	3 ^Q 2010	3.20%	3.70%	3.70%
Prices (CPI)	3 ^Q 2010	2.00%	0.6%	1.70%
Base Lending Rate	3 ^Q 2010	6.30%	5.60%	6.30%

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

GRADE A RENTS AS OF 4Q 2010

Location	Rent (Net Effective on NLA)			% Change from (Local currency)		6 mth
	RM /sq.ft. /mth	€ /sq.m. /yr	US\$ /sq.ft. /yr	3 mth ago	1 yr ago	
Prime KL City	6.22	191.32	23.83	-0.50%	2.80%	➔
KL Fringe	4.70	144.59	18.01	0.00%	4.00%	➔

Legend

Market Rising ➔ Market Stable ➔ Market Falling ➔

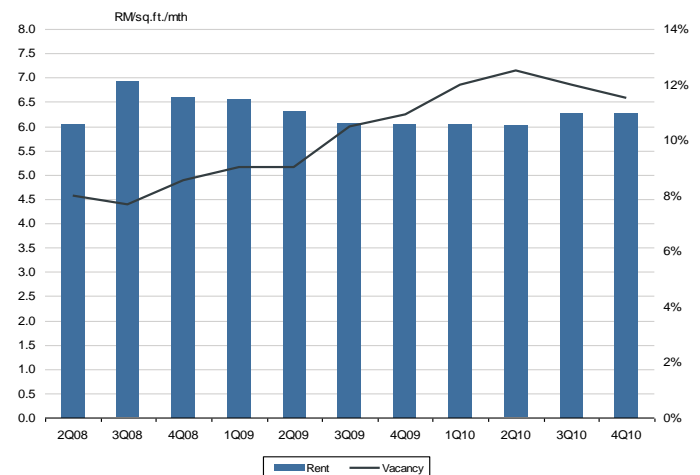
SIGNIFICANT NEW LEASE TRANSACTIONS

Building	Tenant	Sq. Ft.	Location
G Tower	Dugeo Oil	7,700	KL
TH Perdana	Suhakam	36,000	KL
Menara Dato Onn	My ez-Solution	10,000	KL
Menara StandChart	Mutiara Good Year	10,000	KL
Menara Choy Fook Onn	Allianze General Ins.	12,000	PJ

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

Building (Sq. Ft.)	Location	Office NLA	Completion Date
MAIWP	KL City	340,000	2011
The Crest	KL City	258,000	2011
Glomac Tower	KL City	520,000	2011
Menara Binjai	KL City	370,000	2012
Integra Tower	KL City	736,000	2012

GRADE A RENT AND VACANCY



For further information, please contact

YY Lau - Real Estate Agency & Transactional Services
(yylau@yypropertiesolutions.com)

Wong Wai Kun - Valuation & Asset Services
(waiyun@yypropertiesolutions.com)

Tiffany Goh - Corporate Consultancy & Advisory Services
(tiffanygoh@yypropertiesolutions.com)

Telephone: (603)-7728 8116 or (603)-7728 4117
Email : info@yypropertiesolutions.com or
valuation@yypropertiesolutions.com

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