

MARKETBEAT

KUALA LUMPUR OFFICE REPORT



2Q08

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AT A GLANCE

Economy

- Soaring food & energy may hurt household spending and damp economic growth, slowing expansion to 4.5 – 5% this year, below the earlier March forecast of 5 – 6%.
- The prime minister has proposed an increase to the country's development allocation ceiling from RM200 bil to RM230 bil during the midterm review of Ninth Malaysia Plan due to rising cost.

Rising Cost a concern for Construction Industry

- On top of the petrol price hike of up to 40% in early June 08, Malaysian developers could face another concern over growing shortages of raw materials like steel.
- An increased global demand for steel especially from China would see prices of steel rising from RM2,350 per tonne to RM4,000 per tonne.
- Sunrise Bhd is acquiring Wisma Angkasa Raya, located opposite the Petronas Twin Towers for redevelopment into an upmarket commercial project. The acquisition cost is around RM179 mil for the 167,728 sq ft 24 storey building.
- Permodalan Nasional Bhd (PNB) intends to convert the 30-storey Malaysia Airlines building in Jalan Sultan Ismail to hotel / apartments. They bought the building for RM130 mil two years ago.
- Singapore based Capitaland Ltd has bought 62% of the retail area covering 510,418 sq ft. at Sungei Wang Plaza for RM595 mil.

MARKET HIGHLIGHTS IN 2Q 2008

SIGNIFICANT NEW LEASE TRANSACTIONS

BUILDING	TENANT	SQ FT (APPROX)	BUILDING CLASS
Pavilion KL	The Nomad	30,000	A
Menara Citibank	Petronas Cari Gali	39,650	A
Etiqa Twins	Malaysian Gas Association	8,300	A

SIGNIFICANT SALE TRANSACTIONS

BUILDING	BUYER	SQ FT (APPROX)	PURCHASE PRICE (RM)
Sungei Wang Plaza	Capitaland Ltd	510,418	595 mil
Wisma Angkasa Raya	Sunrise Bhd	167,728	179 mil

SIGNIFICANT CONSTRUCTION COMPLETIONS

BUILDING	MAJOR TENANTS	SQ FT	COMPLETION DATE
24, Jalan Perak	Burni Armada FPSO	190,000	1Q 2008
South Tower, The Gardens	Rating Agency Malaysia Numico Dumex	250,000	1Q 2008

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANTS	SQ FT	COMPLETION DATE
North Tower, The Gardens	-	250,000	2Q 2008
PJ8 (Block A)	-	100,000	3Q 2008
G Tower	-	500,000	1Q 2009
Quill KL Sentral	-	350,000	1Q 2009
Surian Tower	-	340,000	3Q 2009

ECONOMIC INDICATORS – JUNE 2008

	Latest Release		Average 2007	Average 2008F	Average 2009F
Real GDP Growth	2Q08	7.1%	6.3%	5.5%	5.5%
Unemployment	1Q08	3.6%	3.2%	3.4%	3.1%
Real Prices (CPI)	1Q08	2.9%	2.0%	4.1%	3.4%
Prime Rate	As of June 2008	6.75%	End Dec '07 6.8%	End Sep '08 6.8%	End Jun '09 6.8%

Source: Statistics Department, Malaysia; Bank Negara Malaysia; Consensus Economics Mar 2008

PRIME & FRINGE GRADE A OFFICE RENTS

District	Achievable Rent (Net Effective)			% Change From (in RM)				Short Term Trend
	US\$ /SqFt/Yr	Euro /SqM/ Yr	RM /SqFt/ Mth	Last month	3 months ago	From Bottom (Mar 2000)	Peak (Q4 '07)	
Prime KL Centre	21.98	150.01	6.04	3.8	4.3	58.5	17.7	↗
Fringe KL	15.84	108.12	4.35	1.2	2.1	58.3	-3	↗

Note: Sample of buildings modified on 1 July 2007 for buildings in fringe area, therefore some adjustments will occur in % change in the rental trends in immediate corresponding months.

With effect from Jul '07, sample size based for Prime KL Centre is based on 16 buildings and 16 buildings for Fringe respectively for size of 10,000 sq. ft.



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