

MARKETBEAT

KUALA LUMPUR OFFICE REPORT

YY PROPERTY SOLUTIONS IN ASSOCIATION WITH CUSHMAN & WAKEFIELD

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2Q2011

Slower Growth and Faster Inflation

Latest national accounts indicated that growth momentum slowed during the first quarter of 2011 as real GDP expanded by 4.6% year-on-year, moderating from 4.8% in the December quarter of 2010.

Despite the slow GDP growth, domestic demand has been resilient thus far and will likely pick up momentum in the second half of 2011, underpinned by a sustained increase in consumer spending and as implementation of the ETP projects gather speed.

Inflation accelerated to a two-year high of 3.2% year-on-year in April from 3.0% in March 2011. Price increases were led by higher food and transport costs and Bank Negara Malaysia has warned that strong domestic demand could exert upward pressure on prices in the second half of the year.

Office Market Overview and Outlook

The oversupply of office space within the Klang Valley, especially KL City is evident in the second half of 2011. The incoming supply over the next two years will create downward pressure on rental rates of buildings with low occupancy as landlords compete to attract tenants or maintain the current occupiers/tenants.

Despite the limited rental growth, the capital value is likely to remain stable in the short term as majority of the sellers/vendors are reluctant to reduce their price expectations.

ECONOMIC INDICATORS

		Latest Release	Average	
			FY 2010	FY 2011
Real GDP Growth	1'Q2011	4.60%	7.20%	5.10%
Unemployment	1'Q2011	3.10%	3.20%	3.40%
Prices (CPI)	1'Q2011	2.80%	1.60%	3.30%
Base Lending Rate	May 2011	6.60%	6.30%	6.60%

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

GRADE A RENTS AS OF 2Q 2011

Location	Rent (Net Effective on NLA)			% Change from (Local currency)		6 mth ago
	RM /sq.ft. /mth	€ /sq.m. /yr	US\$ /sq.ft. /yr	3 mth	1 yr	
Prime KL Centre	6.19	185.46	24.40	-1.00%	-0.10%	↘
KL Fringe	4.63	138.63	18.24	-1.80%	0.80%	→

Legend

Market Rising ↗ Market Stable → Market Falling ↘

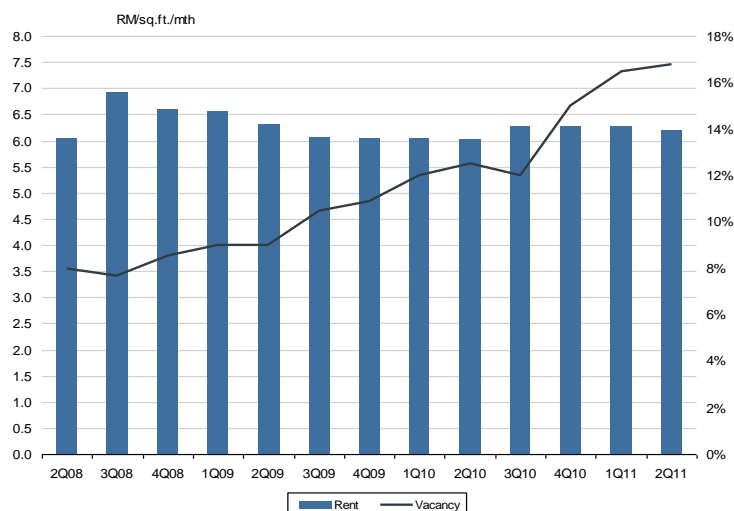
SIGNIFICANT NEW LEASE TRANSACTIONS

Building	Tenant	Sq. Ft.	Location
Sumitomo Mitsui	Intermark	24,000	KL
Hampshire Place	SP Setia	12,000	KL
Quill 9	Dutch Lady	50,000	PJ
Menara TM	Cargill	22,000	PJ
Quill 9	Glaxo Smith Kline	50,000	PJ

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

Building (Sq. Ft.)	Location	Office NLA	Completion Date
Menara Prestij	KL City	540,000	3Q2011
KLCC Tower 3	KL City	840,000	4Q2011
Menara Felda	KL City	689,273	4Q2011
Menara Binjai	KL City	350,000	1Q2012
Integra Tower	KL City	736,000	1Q2012

GRADE A RENT AND VACANCY



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