RESEARCH

1ST HALF 2010

REAL ESTATE HIGHLIGHTS

Kuala Lumpur | Penang | Johor Bahru

Knight Frank

HIGHLIGHTS

Kuala Lumpur

- Revived interest in the high end condominium market evident from fairly successful launches with more launches expected in the pipeline.
- The office market in Kuala Lumpur remained soft in 1H2010; overall rental and occupancy rates dipped amidst a moderate oversupply situation.
- Retail market sentiments continued to improve through 1H2010 fuelling upward projections of retail sales growth.
- The local hotel industry continued its growth in 1H2010 with higher tourist arrivals recorded, supported by strong domestic demand and global economic recovery.

Penang

- Penang continues to be a property hotspot with developers from both the island and the Klang Valley on the acquisition trail to increase their land bank on the island.
- Supply of retail space is set to increase with the scheduled completion of 2 prime shopping complexes in 3Q2010 and 2012.

Johor

- The growing sectors for the property market in Johor Bahru are high-end residential, commercial (shop offices) and industrial properties.
- Boosted by the development momentum of Iskandar Malaysia and the positive impact of the 10th Malaysia Plan, the property market is expected to be more active.

KUALA LUMPUR HIGH END CONDOMINIUM MARKET

Market Indications

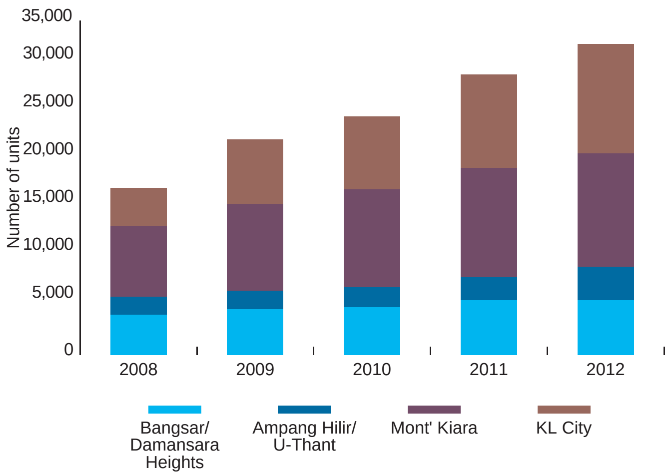
The year 2010 started off on a positive note, with the economy registering a robust growth of 10.1% in the first quarter, the fastest in a decade following the commendable expansion of 4.5% recorded in 4Q2009. With economic recovery on the right track, both developers' and buyers' confidence have been renewed. There has been revived interest in the high end condominium market as reflected in the fairly successful launches in 2H2009 and 1H2010, with more developers undertaking re-branding and repositioning exercises of previously deferred projects.

During this review period, Bank Negara Malaysia revised its Overnight Policy Rate (OPR) twice, from 2% to 2.25% on 4th March 2010 and again from 2.25% to 2.50% on 13th May 2010. These marginal increases are not expected to have negative impact on property sales, it is primarily seen as a move to stabilise inflation and normalise monetary conditions whilst remaining accommodative and supportive of economic growth.

Figure 1

Projection of Cumulative Supply for High End Condominiums

2008 - 2012



Source: KF Research

Supply & Demand

The existing supply of high end condominiums in Kuala Lumpur stands at 22,739 units. The only new completion noted in this review period is Gateway Kiaramas (168 units) located in Mont' Kiara. In the short to medium term, the majority of supply in the pipeline is located in the KLCC and Mont' Kiara areas. Projects scheduled for completion in 2H2010 include myHabitat2 (215 units), Troika (229 units), Ampersand @ Kia Peng (71 units), Hampshire Place (186 units) and Taragon Puteri KL (152 units) in KL City; Verve Suites Tower B (188 units), Kiara 3 (160 units), Lumina Kiara (104 units) and Seni Mont Kiara (604 units) in Mont' Kiara locality.

New launches identified during the review period include Casa Residency, Seri Ampang Hilir, Verve Suites Vox Tower (Tower D), One Kiara, Kiaramas Danai, The Pearl @ KL city centre and Verticas Residensi (Tower B). Proposed launches planned for later this year in KL City include M Suites @ Jalan Ampang, Dedaun, 6CapSquare, Vue Residences, sixceylon, Arata of Tijani, JSI Serviced Condominium and Madge Mansions. Due to the stiff market competition, some developers are now focusing on niche and lower density developments, such as, Dedaun and sixceylon.


sixceylon

In the Mont' Kiara locality, The Icon Residence is scheduled to be launched in the coming 2H2010.

Improved buyers' confidence is evident by the strong sales response in the suburbs noted in projects such as One Kiara (Tower A) and Seri Ampang Hilir which reportedly achieved high take up rates of more than 80%. Verve Suites Vox Tower (Tower D), which was only launched in June 2010, has managed to achieve an impressive sales rate of 76%. Meanwhile, projects in the KL City locality which registered encouraging sales of more than 50% include Verticas Residensi and The Pearl @ KL city centre.

Prices & Rentals

Amidst the revived interest in this market segment, prices and rentals were noted to be generally stable during the review period with selected schemes showing marginal increments in pricing. With more new upcoming launches expected in the short to medium term as well as the impending high number of completions, buyers and tenants will continue to benefit from competitive sales and tenancy terms.

Table 1
Asking Prices and Rentals of Existing High End Condominiums

Locality	Asking Gross Rent (RM psf/month)	Asking Selling Price (RM psf)
KL City	3.00 - 6.00	650 - 1,700
Ampang Hilir/U-Thant	3.00 - 4.00	500 - 900
Damansara Heights	3.50 - 4.00	400 - 650
Kenny Hills	3.20 - 4.50	450 - 900
Bangsar	2.00 - 4.20	400 - 1,100
Mont' Kiara	2.00 - 3.20	400 - 600 *

* Excludes Verve Suites which comprise mainly of fully furnished small units

Outlook

General market movement is primarily seen as optimistic in comparison to the same review period in 2009. The high end condominium market has bottomed and with recovery setting in, further improvement is expected by the end of the year or early next year. Most developers have changed their game plan from prudently deferring their planned projects earlier to actively updating and revamping their proposals, with several launches planned in the next six months. Demand is predicted to grow gradually in selected markets and locations, particularly for projects by reputable developers with marginal price appreciation expected in newly completed projects whilst the rental market is expected to remain competitive in view of the high impending supply coming on stream within the next three years.

KUALA LUMPUR OFFICE MARKET

Market Indications

The Kuala Lumpur office market remained soft in 1H2010, with marginal dips in both rental and occupancy rates. It is expected to remain competitive due to the new incoming supply and may face further downward pressures. On the transaction side, however, the market was fairly active with investors continuing to look for good buys.

Supply & Demand

The cumulative supply of purpose built office space in KL City was recorded at about 43.2 million sq ft during 1H2010 whilst the cumulative supply at KL City Fringe stood at 14.3 million sq ft. Five buildings were completed during the review period, two in KL City and three in KL City Fringe contributing a total of 1.41 million sq ft to the total existing supply.

Table 2
Office New Completion in 1H2010

Building Name	Location	Estimated Net Lettable Area (sq ft)
KL City		
Menara PJD	Jalan Tun Razak	414,000
HSBC New Headquarters	Leboh Ampang	175,000
KL City Fringe		
CCM (Company Commission of Malaysia) headquarters (Tower B of Lot J)	KL Sentral	281,000
MIDA building (Tower C of Lot J)	KL Sentral	283,000
Menara Kencana	Hartamas	255,000

MIDA building

Besides the above new completions, the refurbishment of the former Empire Tower (now renamed Vista Tower), located at the junction of Jalan Tun Razak and Jalan Ampang, was completed in January 2010. Vista Tower, with a net lettable area of 555,000 sq ft, is part of The Intermark redevelopment by MGPA Asia Fund II. Meanwhile, Menara Tan & Tan is currently undergoing its phase 2 refurbishment works after having completed its phase 1 in 2H2009, with scheduled completion in 2H2010.

Several buildings currently under construction in KL City with expected completion in 2H2010 include Menara Worldwide along Jalan Tun Razak and Menara Wakaf along Jalan Perak.

Notable new projects announced during the review period include a proposed office block adjacent to the existing Menara Hap Seng on Jalan P Ramlee. Hap Seng Consolidated Bhd plans to build an office building on its newly acquired 1.1-acre freehold site with an estimated construction cost of more than RM300 million. Construction is expected to commence in 4Q2010. Meanwhile, in the KL City Fringe, Ho Hup Construction Company Berhad plans to develop three Grade A office buildings with MSC status in Jalil Green City, a mixed development on a 5.53-acre land in Bukit Jalil, Kuala Lumpur.


Menara Kencana

On the demand side, the Industrial and Commercial Bank of China (ICBC) which has been granted banking licence in 2H2009 has set up its head office in Menara Maxis during the review period. ICBC has also received Bank Negara Malaysia's approval to open four branches in Malaysia. Deutsche Bank AG, on the other hand, has announced that it has been granted an International Islamic Banking licence from Bank Negara Malaysia in March 2010 which allows the bank to provide Islamic commercial and investment banking services in foreign currencies to institutional clients throughout Asia. Seven more banking licences will be issued by Bank Negara Malaysia this year and on 17th June 2010, Bank Negara announced the issuance of five new commercial banking licences to BNP Paribas SA (France), Mizuho Corporate Bank (Japan), National Bank of Abu Dhabi (United Arab Emirates), PT Bank Mandiri (Persero) Tbk (Indonesia) and Sumitomo Mitsui Banking Corp (Japan). This is in line with the liberalisation of financial services under the 10th Malaysia Plan which is expected to further boost demand for office space. In KL City, the average occupancy recorded during 1H2010 was at 94% (2H2009: 95%) whilst the average occupancy of prime offices in KL City Fringe remained stable at 93%.

Rentals & Capital Values

Overall, the average monthly rental for office space in KL City was analysed at RM5.24 per sq ft (2H2009: RM5.30 per sq ft). Similarly with occupancy, the average rental in KL City Fringe was stable at RM4.30 per sq ft during the review period. Prime offices, on the other hand, commanded higher average monthly rentals of between RM6.50 per sq ft and RM11.50 per sq ft. Nonetheless, in view of competition from new completions expected in the coming 2 to 3 years, landlords of existing prime office buildings are expected to offer attractive rental rates and tenancy terms to maintain existing tenants and lure new tenants to their buildings.

In June 2010, Wisma Time, a 12½-storey office building with two basement levels located on Jalan Tun Razak was disposed by STLR Sdn Bhd, a wholly-owned subsidiary of Khazanah Nasional Bhd to Johor Land Bhd for a consideration of RM78 million. During the review period, Sunway City Berhad received approvals from the Securities Commission for the establishment of Sunway Real Estate Investment Trust (Sunway REIT) which amongst others would see the proposed disposal of Sunway Tower and Menara Sunway to Sunway REIT at considerations of RM185 million and RM138 million respectively.

In March 2010, AmanahRaya Real Estate Investment Trust (AmanahRaya REIT) acquired Dana 13, which forms part of Dana 1 Commercial Centre, located off Jalan Lapangan Terbang for RM99 million. Dana 13 is a 13-storey stratified office building with a GFA of 333,439 sq ft and is leased to Symphony House Berhad for a period of 10 years expiring August 2019. In May 2010, The Federal Territories and Urban Wellbeing Ministry acquired Menara PjH in Precinct 2, Putrajaya from Putrajaya Holdings Sdn Bhd for RM167 million. Menara PjH comprises two blocks; Block 1 is a 10-storey office building currently occupied by Putrajaya Holdings as their corporate headquarters whilst Block 2, an 8-storey building is being rented out to various parties, including the ministry. The buildings have a total GFA of 682,728 sq ft inclusive of office space and facilities which include a 700-seat multipurpose hall, a 137-seat auditorium, a marketing suite and a 224-capacity cafeteria overlooking Putrajaya Lake.

Two other office investment sales were noted in the KL City Fringe and they are a 12-storey office block at Laman Seri Business Park in Shah Alam and 12 floors of stratified office space at Oasis Ara Damansara.

Table 3
Office Investment Sales in 1H2010

Building Name	Location	Approx. Lettable Area (sq ft)	Consideration (RM)/ (RM psf)
Wisma Time*	Jalan Tun Razak	171,611	78,000,000 (455)
Sunway Tower**	Jalan Ampang	268,412	185,000,000 (689) (1)
Menara Sunway**	Bandar Sunway	268,978	138,000,000 (513) (1)
Dana 13, part of Dana 1 Commercial Centre	Petaling Jaya	268,218	99,000,000 (369)
Menara PjH	Precinct 2, Putrajaya	N/A	167,000,000 (2)
12-storey office block at Laman Seri Business Park	Shah Alam	N/A	60,000,000
12 floors of stratified office space, Block C, Oasis Ara Damansara(3)	Ara Damansara	93,293	39,096,540 (419)

Notes:
(1) Subject to a price adjustment mechanism.
(2) The purchase is in accordance with the terms and conditions in the Concession Agreement for Government Buildings in Putrajaya administrative centre where the government would make the payments for 25 years.
(3) Comprises one level of retail space and 11 levels of office space.
* ***Knight Frank Malaysia was the agent who concluded this transaction.***
** ***Knight Frank Malaysia appraised these properties together with a portfolio of six other properties comprising retail and hospitality components in the proposed listing exercise of Sunway REIT on the Main Board of Bursa Malaysia.***

Table 4
Selected Grade A Office Asking Rentals

Building Name	Asking Gross Rental (RM psf/month)
Menara Maxis	9.50
Menara Prudential	6.00
Menara IMC	8.50
Rohas Perkasa	7.50
Menara Citibank	6.50
Menara Standard Chartered	7.00
Menara Etiqa Twins	6.50
Kenanga International	6.50
Menara HLA	6.50
Menara Millennium	5.00

Outlook

The office market is expected to remain competitive due to the new completions coming on stream and also from refurbished buildings in good locations. Rental and occupancy rates may continue to trend downwards in a cautious market due to declining inflows in Foreign Direct Investment (FDI) as well as uncertainties and challenges in both domestic and global economic fronts as a result of the ongoing eurozone crisis amongst other reasons. However, consolidation in the oil & gas industry and the recent issuance of five new banking licences coupled with further liberalisation of the 27 services sub-sectors which include the financial services may help to cushion the impact of impending new supply. In general, well located office buildings within integrated developments that offer complementary support components such as retail and hotel facilities, as well as those that have MSC status and are located near monorail/LRT stations, are expected to continue to perform well in line with the preferences of today's office tenants.

KLANG VALLEY RETAIL MARKET

Market Indications

Retail market sentiments improved from end of 2009 through 2010 as shoppers continue to spend in tandem with the recovery in the domestic and global economies albeit cautiously. The Malaysian Consumer Sentiment Index (CSI) trended up to 114.2 points in 1Q2010, representing a 4.6 points rise from 4Q2009 with a phenomenal 35.3 points improvement y-o-y. The Business Conditions Index (BCI) was also positive on an upward trend; q-o-q, it settled 5.3 points higher at 124.0 points and, y-o-y, the index, rose 62.9 points.

Supply & Demand

During this review period, two new retail centres in the suburbs, Empire Shopping Gallery (200,000 sq ft) in Subang Jaya and Axis Atrium (218,000 sq ft) in Pandan Indah opened for business. This brought the cumulative existing supply of retail space in Klang Valley to approximately 36.9 million sq ft. By the end of this year, the retail supply is estimated to grow by another 2.74 million sq ft. Majority of the new supply will come from the completion of on-going extension, refurbishment and upgrading works of existing centres in KL City and the completion of new retail centres in established and well populated residential neighbourhoods in the suburbs.

The Mines commemorated the completion of the final stages of their refurbishment plans during the review period with the opening of their Splash Park. Located on the 5th floor (roof top) of the new wing, the park is specifically designed to contain a small pool and playground area to encourage families with young children to frequent the mall.

In KL City, the former KL Plaza is currently undergoing a major refurbishment exercise that will see it being repositioned as a 5-storey lifestyle mall with a vibrant and entertaining atmosphere to cater to local and foreign young and trendy urbanites. The refurbishment is scheduled to be completed in 2H2010.

There is a continuous demand for modernised, high quality and sophisticated lifestyle malls offering recreational and entertainment components as shopping and window shopping have become a favourite past time for urbanised households in Klang Valley. In May 2010, Golden Screen Cinema (GSC), Malaysia's largest cinema operator announced its commitment of over 40,000 sq ft at Setia City Mall which is scheduled to be completed end of 2011. GSC will operate a nine-screen multiplex equipped with the latest 3D and digital technology with corporate entertaining facilities.

Fahrenheit 88

Table 5

Shopping Centres Scheduled for Completion in 2H2010

Projects	Location	Estimated Net Lettable Area (sq ft)
New Projects		
Citta Strip Mall	Ara Damansara	433,000
SSTwo	Petaling Jaya	463,000
Lot C KLCC (Suria KLCC extension)	Kuala Lumpur City Centre	140,000
1 Shamelin	Cheras	420,000
First Subang	Subang Jaya	120,000
Projects Under Refurbishment		
Intermark Mall (formerly City Square)	Kuala Lumpur City Centre	200,000
Viva Homes (formerly UE3)	Cheras	660,000
Fahrenheit 88 (formerly KL Plaza)	Bukit Bintang	300,000

Prices & Rentals

Rental rates for prime retail centres have generally remained stable whilst those of top performing centres such as Suria KLCC and Pavilion KL in KL City and, Mid Valley Megamall and Sunway Pyramid in the suburbs have recorded some increments during the review period.

In January 2010, AmanahRaya Real Estate Investment Trust (AmanahRaya REIT) proposed to acquire Selayang Mall, a 6-storey shopping complex with a basement level in Taman Selayang Utama, for RM128 million (analysed at RM351 per sq ft on 365,000 sq ft NLA). The mall which is of leasehold tenure expiring in July 2079 is currently leased to a single tenant, Seal Incorporated Berhad for a lease period expiring in 2016. Its occupancy is about 98% based on the sub-lease between Seal and the sub-tenants occupying the mall.

In April 2010, Sunway City Berhad announced its proposed disposal of Sunway Pyramid Shopping Mall to Sunway REIT at a consideration of RM2.3 billion (or RM1,365 per sq ft on 1,685,568 sq ft NLA) in relation to the proposed listing exercise of Sunway REIT on the Main Board of Bursa Malaysia Securities Berhad.

Outlook

Consumer sentiments and spending are on the rise in line with the recovering economy; fuelling upward projections of retail sales of between 1.0% and 3.0% in 2010 by the Malaysian Retailers Association (MRA). Over the long term, the local retail market continues to offer good prospects supported by strong economic fundamentals, increasing tourist arrivals and a young population base. Lifestyle malls offering a variety of products ranging from mainstream affordable fashions, food and beverage and entertainment are expected to perform well, particularly those that are professionally managed and have regular promotional activities. Rentals and capital values are expected to remain stable in the short to medium term, with some possible upside in the prime centres.

KUALA LUMPUR HOTEL MARKET

Market Indications

The local hotel industry continued its growth in 1H2010, supported by strong domestic demand and global economic recovery. Tourist arrivals for 1Q2010 were recorded at 5.75 million representing a 5% increase when compared with 5.46 million arrivals recorded in the same period last year. Statistics from the Ministry of Tourism Malaysia revealed that the largest number of tourists was from the neighbouring ASEAN countries whilst the strongest tourist growth was from West Asia (2009: 284,890 tourist arrivals). The availability of attractive-priced air fares offered by low-cost carriers and competitively-priced travel packages, have also boosted the hospitality sector.

Supply & Demand

The current supply of 4-star and 5-star hotel rooms in KL City stand at 6,737 and 8,689 respectively, with the bulk of supply located within tourist belts such as Jalan Sultan Ismail, Jalan Ampang, Jalan Bukit Bintang and the KLCC locality. The average occupancy rates for 4-star and 5-star hotels in KL City were recorded at 69% (2H2009: 72%) and 68% (2H2009: 67%) respectively.

Figure 2

Supply and Occupancy Rate of 4-Star & 5-Star Hotels in KL City

2004 - 1H2010

Source: KF Research

4-star hotels which achieved occupancies of more than 75% include Traders (KLCC), Dorsett Regency (Jalan Imbi), Corus (Jalan Ampang), Boulevard (Mid Valley) and Swiss Garden (Jalan Pudu) whilst those in the 5-star category were Grand Millennium (Jalan Bukit Bintang) and Park Royal (Jalan Sultan Ismail).

MiCasa All Suite Hotel reopened for business at the end of 2009 after undergoing a 2-year RM85 million refurbishment. The 242-room hotel now offers a choice of suites from one to three bedrooms with luxurious furnishings targeting at long-staying corporate travellers. During the review period, Carcosa Seri Negara, a 5-star boutique hotel re-opened its 6-suite Seri Negara as a Saujana Hotels & Resorts property whilst the 7-suite Carcosa remained closed since December 2009.

New hotels that entered the market in 1H2010 are The G City Club and Empire Subang. The G City Club is a 180-room 5-star business hotel located at the crossroads of Jalan Tun Razak and Jalan Ampang. This boutique hotel, which spreads over three floors of the 30-storey GTower, is owned and operated by Goldis Bhd. Empire Hotel, a 208-room boutique business class hotel located in Subang Jaya, is another homegrown hotel, forming part of the integrated development known as Empire Subang which comprises SoHo, office suites and a retail mall. A new hotel that is scheduled to come on stream in 2H2010 is Rendezvous Hotel Kuala Lumpur, a 4-star 444-room business hotel located at Changkat Thambi Dollah. Rendezvous Hotel Kuala Lumpur will be managed by Rendezvous Hospitality Group, a relatively new and growing Singapore brand which manages hotels under the Rendezvous and Marque brands. Meanwhile, the former Crown Princess Hotel which has been repositioned and renamed Doubletree by Hilton Kuala Lumpur is expected to open for business in July 2010 after undergoing refurbishment. This 540-room prominent hotel forms part of the redevelopment project of Intermark by MGPA Asia Fund II and is one of the upscale hotel brands in the Hilton Family of Hotels.

There are two hotels currently under construction with scheduled openings in 2011. They are the 515-room 5-star Pullman Kuala Lumpur Bangsar (formerly Plaza Cygal Hotel) which will be Accor's largest hotel in Southeast Asia and the 300-room 4-star Royale Surian in Mutiara Damansara. Meanwhile, the Impiana KLCC Hotel & Spa, a 4-star 335-room hotel located along Jalan Pinang, is currently undergoing extension of the existing hotel wings. The extension comprises an additional three-storey car park podium and a 22-storey tower block accommodating an additional 180 rooms above the existing four-storey car park podium. The works are scheduled to be completed by end 2011.

Average Room Rates & Capital Values

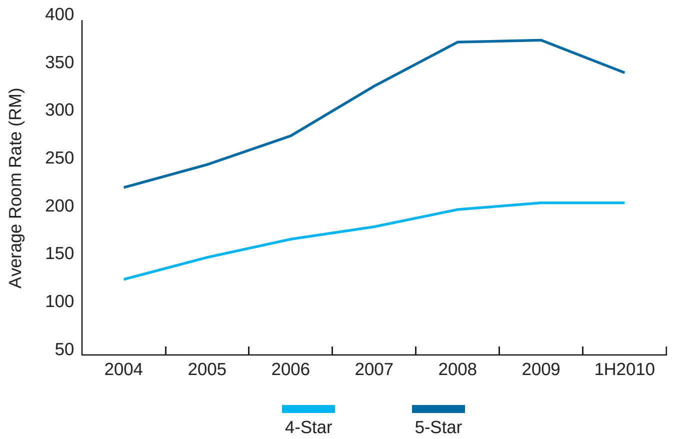
In 1H2010, the Average Room Rate (ARR) for 5-star hotels was recorded at RM345; representing a 10.5% decline from RM386 recorded in the corresponding period of 2009. Notable hotels which recorded ARR above RM400 in 1H2010 were Mandarin Oriental (RM595), Ritz Carlton (RM426), Shangri-La (RM490) and The Westin (RM425).

The ARR for 4-star hotels was recorded at RM209 in 1H2010; maintained at the same rate recorded in the corresponding period of 2009. Hotels that achieved ARR of more than or equivalent to RM250 in 1H2010 include Traders Hotel (RM361), Grand Maya (RM328) and Concorde Hotel (RM255).

Figure 3

Average Room Rate of 4-Star & 5-Star Hotels in KL City

2004 - 1H2010



Source: KF Research

Sunway Resort Hotel & Spa

During the review period, Sunway City announced its proposed disposal of Sunway Resort Hotel & Spa and Pyramid Tower Hotel at considerations of RM480 million (analysed to RM1,085,973 per room on 439 rooms and 3 villas) and RM270 million (or RM491,803 per room on 549 rooms) respectively in relation to the listing exercise of Sunway REIT on the Main Board of Bursa Malaysia Securities Berhad. The analysed net yields are 6.1% and 6.7% respectively.

Outlook

The near term outlook remains positive as the hospitality sector continues to grow on the heel of strong demand for domestic travel and aggressive overseas promotions by Tourism Malaysia such as the recent Arab Travel Mart in Dubai amid a recovery in the global economy. The RM899-million allocation under Budget 2010 for the nation's tourism sector is a further boost to the hospitality sector.

PENANG PROPERTY MARKET

Market Indications

- Several developers went on the acquisition trail to increase their land bank on the island state. Hunza Group acquired a 16-acre site in Bayan Baru for RM82 million whilst other acquisitions include those by PLB Engineering, Mah Sing Group and Plenitude Group.

- Launches of high end residential developments in the review period include the Light Point and Light Collection I by IJM; Phase 1 of Lagenda@Southbay by Mah Sing comprising 19 bungalows priced from RM3.6 million to RM4.2 million; Phase 1 of E & O's Quayside Condominiums - a 26-storey block with 298 units at prices between RM765,000 for a one-bedroom unit and RM4.3 million for a penthouse unit. SP Setia is set to launch "11 Brook Residences" comprising 11 bungalows within the vicinity of the exclusive residential enclave of Jesselton Heights in late 2010.

- The CP Group announced its plans to build more projects at their Queensbay site comprising a five-star hotel, a convention centre, a hospital and high-end condominiums, amongst others.


The Light Waterfront

- With the sharp upturn in the electronic and engineering sector in 1H2010, several MNCs and home grown companies comprising small and medium–sized industries (SMIs) have made fresh investments in their R & D activities and expansion plans.

- Osram Opto Semiconductors (M) Sdn Bhd opened their 376,750 sq ft LED chip-production facility, Malaysia's first wafer fabrication plant for LEDs at the Bayan Lepas Industrial Park in April 2010.

- The Penang Government, in the process of developing an education hub on an 197.68-acre site in Balik Pulau, is trying to draw Egyptian University Al-Azhar to set up an off-shore campus on the island state.

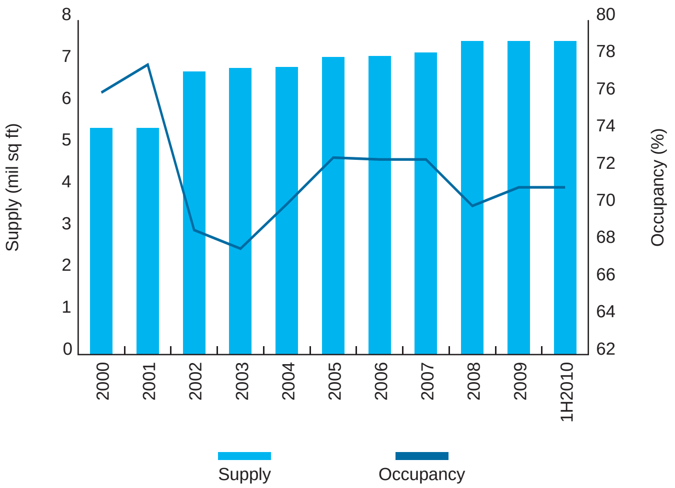
High End Condominium

- Following the successful launch of "The Light Point", a 28-storey block with 88 units sized from 1,830 sq ft to 4,090 sq ft at prices ranging from RM560 to RM705 per sq ft, IJM recently soft launched The Light Collection I. This project, to be developed on a 7-acre site next to the Penang Bridge, will comprise 152 condominiums (1,367 sq ft to 1,582 sq ft) and 24 water villas (3,122 sq ft excluding accessory parcel of 1,195 sq ft). Sale prices will range from RM716,200 to RM1,011,900 for the condominiums and from RM2.63 million to RM2.83 million for the water villas.

- The Mah Sing Group recently bought a 3.38-acre site within Georgetown for RM38 million and has planned a high end condominium development on the site with an estimated gross development value of RM280 million.

- Prices of units in completed projects and those nearing completion within the prime areas of Tanjung Bungah and Pulau Tikus have generally remained unchanged at 2H2009 level, ranging from RM380 per sq ft to RM600 per sq ft. Asking monthly rentals of fully furnished units have also remained stable within the range of RM6,000 per unit to RM13,000 per unit. However, achieved rentals especially for the higher-priced units are likely to be lower in view of increasing competition from the impending new supply entering the market.

Figure 4
Office Supply and Occupancy in Georgetown
2000 - 1H2010



Source: KF Research/Napic

Office

- The supply of office space (buildings of 10-storeys and above) stood firm at 5.82 million sq ft, unchanged since 2009.
- The two most prime office buildings continued to command average rentals of between RM2.30 per sq ft and RM2.70 per sq ft, indicating stable rental rates. Both buildings are enjoying good occupancies, averaging at 93%.
- Asking rentals of newer office buildings with better IT facilities / MSC status have also remained unchanged ranging from RM2.50 per sq ft to RM3.50 per sq ft.

Retail

- 1H2010 saw no movement in the supply of retail space within Penang Island with the figure remaining at 5.32 million sq ft.
- Prime shopping malls have achieved a higher average occupancy rate of about 95% in 1H2010 compared to 90% in 2H2009. Occupancy rates at secondary shopping malls range from 55% to 80%.
- Despite higher occupancy rates, rental rates were mainly unchanged ranging from RM13 per sq ft to RM35 per sq ft per month, depending on the location and size of the units.
- The ICT Mall @ Komtar is targeted to open in September 2010. This is touted to be a one-stop IT centre and is part of the Komtar Revival project and will occupy about 100,450 sq ft of retail space within the complex.
- Other future supply scheduled to be completed in 2H2010 and 2011 will come from two new "neighbourhood" retail malls. E & O Group is expected to complete the Straits Quay Lifestyle Mall, a 270,000 sq ft mall at Seri Tanjung Pinang by end 2010 whilst "All Season Place" by Belleview Group in Air Itam will contribute another 230,000 sq ft when completed by end 2011.

Table 6
Future Supply of Retail Space within Georgetown

Project	Estimated Net Lettable Area (sq ft)	Expected Completion Date
*Penang Times Square Phase 2	229,000	2010
*1st Avenue	430,000	3Q2010
*Gurney Paragon Mall	700,000	2012
**Penang Times Square Phase 3	290,000	2015

* under construction ** planned

Outlook

The housing market in Penang is expected to remain fairly resilient with the landed housing sector continuing to attract strong interest. The high end condominium market is not expected to be as strong in view of the mediocre occupancy rates of many completed projects. The office market is expected to continue with its lackluster performance whilst for the retail market an increasingly competitive environment is anticipated.

JOHOR BAHRU PROPERTY MARKET

Market Indications

- Kulim (Malaysia) Berhad accepted the offer from Al-'Aqar REIT to dispose of Menara Ansar, a purpose-built office building in Johor Bahru city centre for RM105 million. With a lettable area of 240,991 sq ft, the transaction is analysed at about RM436 per sq ft.
- Central Malaysia Properties Sdn Bhd will develop high end condominiums at Lido Boulevard, an integrated waterfront development along Lido Beach. Initially named Lido Residences, the units are expected to be about 1,900 sq ft each and priced at about RM1.5 million.
- Axis REIT acquired a parcel of 6.12-acre leasehold industrial land together with a 1-storey warehouse and a 2-storey office located within Pelepas Free Zone, Port of Tanjung Pelepas from Zone Capacity Sdn Bhd for RM30 million.
- Encorp Bhd proposed to acquire a parcel of 3.30-acre freehold mixed development land at Pulai from UEM Land Berhad for a consideration of RM26 million or RM181 per sq ft. The proposed development comprises residential and commercial properties with indicative GDV of RM330 million.
- Johor State Investment Bhd (JSIC) announced that three Singapore-based food-processing companies will invest a total of over RM500 million to set up their manufacturing facilities in Johor.
- After the commencement of the operation of Resorts World Sentosa at Singapore in January, the Malaysian conglomerate Genting Group is also planning to establish a hub in Iskandar Malaysia (IM) that will accommodate a mall, premium brands outlet, hotels and a theme park to help facilitate its visitor flow from Singapore.
- Singapore's Raffles Education Corp Ltd (REC) has teamed up with Khazanah Nasional Bhd for the development of Raffles University Iskandar in IM. The investment by the Singapore education group is estimated at RM200 million. Located in IM's special economic zone, the university will be developed in 3 phases over 5 years and is expected to house 5,000 students after completion.
- Pantai Holdings Bhd is scheduled to build a 400-bed hospital cum centre of excellence and nursing college worth RM500 million in IM this year. It is expected to be completed by 2015.
- Iskandar Investment Bhd (IIB), the master developer of IM, awarded a combined RM250 million worth of contracts in May. The jobs include the construction of two schools, a stadium and college buildings. IIB is also expected to bring in another three universities in Educity, the 300-acre education enclave in Nusajaya.
- In a joint statement by both Prime Ministers of Malaysia and Singapore in May, Khazanah Nasional Bhd will form a 50:50 joint venture company with Singapore's Temasek Holdings Ltd to develop a wellness township on a 500-acre site in IM. The proposed 'live, work and play' township will be designed to be vibrant, culturally distinctive and yet socially harmonious and environmentally friendly.
- Under the 10th Malaysia Plan (10MP) tabled in parliament in June 2010, the federal government will form a facilitating fund under which funds will be allocated to Johor for various projects. Among the main projects outlined were the RM1.8 billion Johor Bahru city transformation plan, the RM8 billion double tracking rail project from Gemas to Johor Bahru and the Bus Rapid Transit System in IM.


Menara Ansar

Residential

- New major launches include:
  - Senibong Cove, a high end waterfront residential and commercial development located along Sungai Lunchu and is accessible from the city centre via Permas Jaya bridge and the Coastal Highway (under construction). This is a joint venture development between Iskandar Waterfront Development Sdn Bhd and Australia's Walker Group. It comprises apartments, terraced houses, cluster houses, semi-detached houses, bungalows, commercial space and a marina. The units launched include terraced houses priced from RM517,000 per unit, cluster houses from RM490,000 per unit and semi-detached houses from RM747,000 per unit.
  - Phase 2 of Palazio Apartments by Mayland Group at Mount Austin. This phase comprises 624 apartment units in two 17-storey towers. The units are priced between RM230 and RM280 per sq ft of built-up area. The sizes of the studio units measure from 420 sq ft and the 3-bedroom apartments from 1,095 sq ft.

- Nusa Sentral by Country View Resources Sdn Bhd at Nusajaya. The development is located within the ongoing Nusa Indah and offers 312 units of terraced houses with land sizes of 20'x70' and 22'x70' and built-up areas ranging from 1,896 sq ft to 2,420 sq ft. The prices range from RM330,000 to RM556,000 per unit.

Kota Iskandar

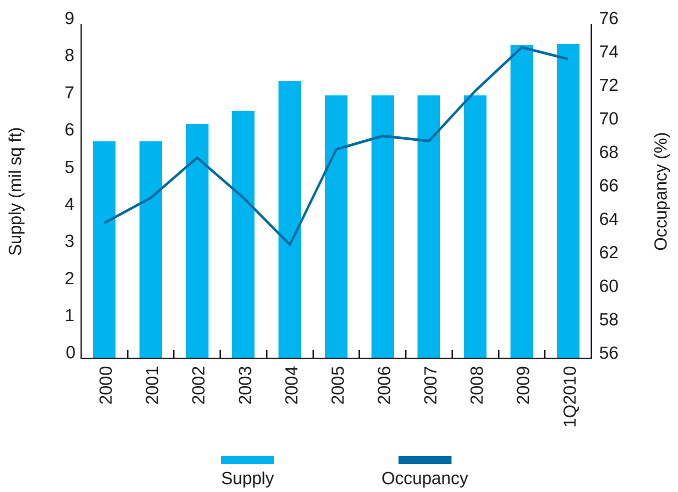
Office

- The total Net Lettable Area of purpose-built office space in Johor Bahru as at Q1 2010 is about 8.46 million sq ft. The overall average occupancy rate is in the region of 74%.
- Rental rates remained stable. Prime CBD office space is let at a gross rental range of RM2.00 to RM2.50 per sq ft per month. Other CBD office space commands a gross rental range of RM1.60 to RM2.50 per sq ft per month whilst offices at secondary locations gross below RM1.50 per sq ft per month.

Figure 5

Office Supply and Occupancy Trends in Johor Bahru

2000 - 1Q2010



Source: KF Research/Napic

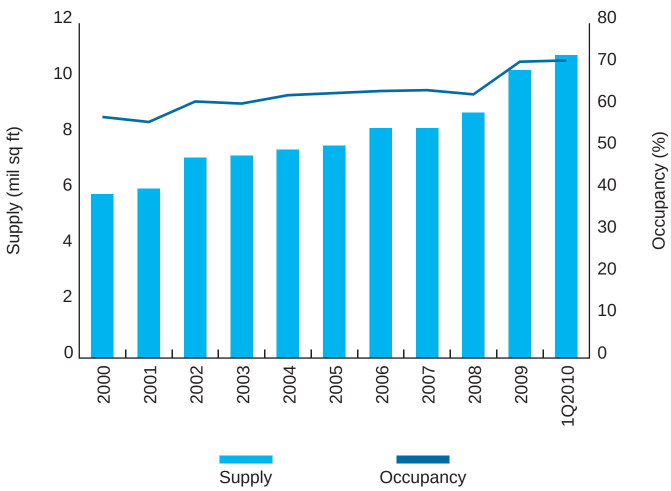
Retail

- The total Net Lettable Area of retail space (shopping centres, arcades and hypermarkets) in Johor Bahru is estimated at 10.85 million sq ft. The overall average occupancy rates for shopping centres, arcades and hypermarkets are at 60%, 94% and 98% respectively. Prime centres have all recorded occupancy rates in excess of 80%. Prime gross rents range from RM15 to RM45 per sq ft per month.
- Proposed developments under construction:
  - KSL City at Taman Century with an estimated floor area of about 602,000 sq ft.
- Proposed developments:
  - A lifestyle mall located at the western development zone of Medini North, Nusajaya with a gross retail space of 1 million sq ft which is expected to be completed by 2012.
  - Econsave at Desa Cemerlang with a gross retail space of 92,000 sq ft.

Figure 6

Retail Supply and Occupancy Trends in Johor Bahru

2000 - 1Q2010



Source: KF Research/Napic

Outlook

Johor Bahru's property market has performed reasonably well in the first half of 2010. The notable growth sectors include industrial, commercial (shop offices) and high end residential properties. This trend is expected to be sustainable, supported by the ongoing positive developments of Iskandar Malaysia in particular and the budgeted expenditure commitments from 10th Malaysia Plan in general.

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