

MALAYSIAN PROPERTY MARKET REVIEW 1<sup>st</sup> QUARTER 2007  
By James Wong

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# MALAYSIA – KEY ECONOMIC INDICATORS



	2006	2007 (Est.)
Population	26.64 million	27.17 million (e)
Unemployment	3.5%	3.5%
Per Capital Income	RM19,764 (USD5,388)	RM20,900 (USD5,806)
GDP Growth Rate	5.9%	6.0%

- **GDP Growth estimated at 5.9% in 2006 as compared to 5.3% 2005.**
- **Steady Economic Growth, Rising Inflationary pressures, record-high oil prices.**
- **The Ringgit has strengthened to about US\$1 = RM3.45 as at April, 2007.**
- **Bank Interest Rate: BLR maintained at 6.72% since May 2006.**
- **Global economy expected to expand by more than 4%; 5<sup>th</sup> consecutive year of growth**
- **BNM has projected a GDP Growth of 6% in 2007, a slight improvement over 2006.**



# 2006 REVIEW



- ❑ For the whole of 2006, the economy was fundamentally sound with a GDP growth rate of 5.9%.
- ❑ International reserves, exports and FDI have improved compared to 2005.
- ❑ In 2006, the property market remained sluggish and stagnated with signs of over-building and over-supply.
- ❑ 2006 witnessed many big ticket transactions by REIT companies and international property funds.
- ❑ Launch of 9<sup>th</sup> Malaysia Plan and 3<sup>rd</sup> Industrial Master Plan stimulated the economy.



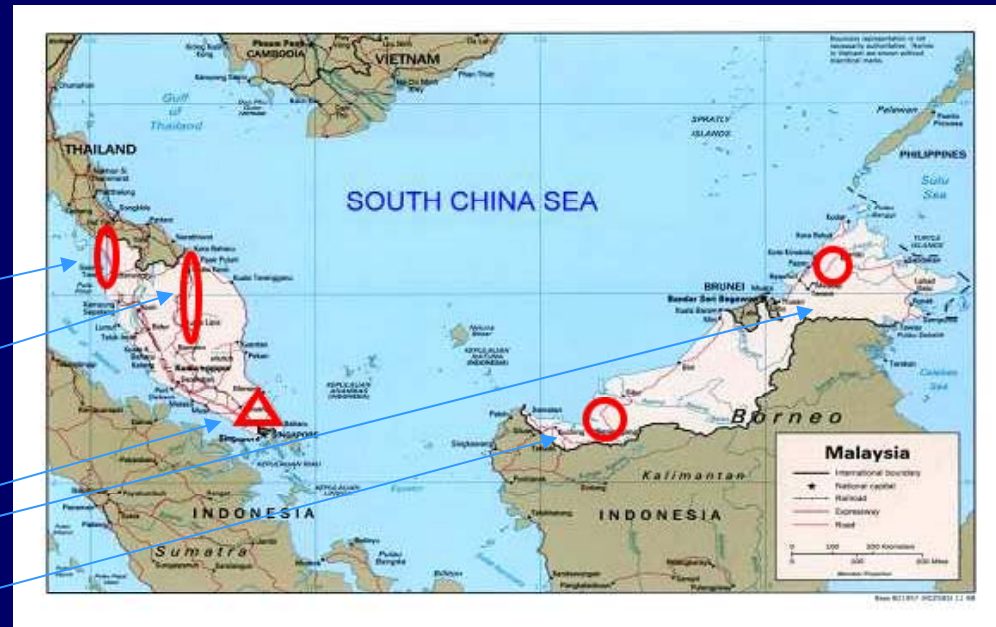
# 9<sup>TH</sup> MALAYSIA PLAN



- Malaysia's development blueprint for 2006 - 2010
- The Industrial sector will experience a boost in growth as the Government focuses on small and medium enterprises (SME)
- Mega projects which have been identified are:
  - the Penang Second Bridge,
  - the Penang Monorail,
  - the Pahang-Selangor Interstate Water transfer project and,
  - the Integrated Transportation Terminal in Gombak

# 9<sup>TH</sup> MALAYSIA PLAN

- Under the 9MP, five economic zones are targeted for intense development:
  - Northern Peninsula Development Zone,
  - Eastern Economic Corridor,
  - Iskandar Development Region
  - Sabah
  - Sarawak





# 9<sup>TH</sup> MALAYSIA PLAN



- Northern Peninsula Development Zone
  - Sime Darby to lead implementation of several new projects.
  - Perlis to be declared a promoted area with higher income tax exemptions.
- Eastern Economic Corridor
  - Development to be spearheaded by Petronas particularly petrochemical, handicrafts and tourism industries.
- Southern Johor Economic Region (Iskandar Development Region)
  - Khazanah to spearhead development with an allocation of RM4.3 billion (US\$1.25 billion)



# BUDGET 2007



- ❑ Objective Of the Budget: soften impact of slower global growth and ensure sustainable growth of the domestic economy
- ❑ Development expenditure to increase by 31% to RM46.5 billion (US\$13.48 billion)
- ❑ Corporate tax is reduced in 2 stages from 28% to 27% in 2007 and 26% in 2008
- ❑ RM27.5 billion (US\$8 billion) roll out construction of roads and other infrastructure
- ❑ RM1 billion (US\$290,000) in contracts for maintenance of infrastructure and public amenities to be awarded





# POSITIVE FACTORS IN 2007



## 1. Government Investment Incentives

- a) On March 23, 2007, the Malaysian Government announced that RPGT will be scrapped from April 1, 2007.
- b) Foreigners will be allowed 100% equity in Islamic financial institutions
- c) Foreign investors in selected zones within the Iskandar Development Region (IDR) and awarded IDR-status will be exempted from FIC rules which include the 30% bumiputra equity requirement.

IDR-status companies will also enjoy:

- d) Free employment of foreigners with the approved zones of IDR
- e) Exemption from corporate tax for 10 years from commencement of operations
- f) Exemption from withholding tax on royalties and technical fee payments for 10 years



# POSITIVE FACTORS IN 2007



2. Strong performance of crude oil (20% price increase in 2006) and commodity prices in 2006
3. Pump-priming measures of the economy:  
Under the 9MP, a total 880 construction projects were announced by the Government totaling RM15 billion (US\$4.35 billion) in July 2006.
4. Bursa Malaysia experiencing a bull run, the KLCI rising from 890 points in Dec 2006 to 1276 in early April 2007 (up 43.4%)
5. Hotel occupancy rates have been rising. City hotels in KL reported average occupancy of 64% in January 2007.



# POSITIVE FACTORS IN 2007



6. Visit Malaysia Year 2007 is targeting 20.1 million tourists and tourist spending of RM44.5 billion (US\$12.9 billion)
7. REITS have enlivened the market with a large number of wide ranging property purchases.
8. The Industrial Sector is continuing to recover (growth of 4.3% in Q4 2006), driven by a more diversified base and strong export demand.
9. There is speculation of an impending general election, which will normally stimulate the economy and property market



# CHALLENGES IN 2007



- The property market since 2005 had stagnated and is sluggish.
- The Property market had declined as the number of property transactions had dropped from its peak in 2004 at 293,212 to 270,889 (est.) in 2006 and the value from RM29.3 billion to RM28.0 billion (US\$8.5 billion to US\$8.1 billion)
- There are signs of over-supply and over-building. Property overhang further increased by about 10%

**Commercial Overhang\*: 2.26 mil sq.m. (15.7%) vacant space in whole of Malaysia**

**Retail Overhang\*: 1.495 mil sq.m. (19.8%) vacant space in whole of Malaysia**

**Residential Overhang\*\*: 92,181 unsold units (29.1%) in whole of Malaysia**

- Office rents, hotel room rates and industrial rents are among the lowest to be found in Asian cities.
- Housing developers reported that 5,838 housing units (17%) were unsold out of 34,341 units launched in H2 2006.
- Many banks still saddled with NPLs, with NPL ratio for mortgages at 8.6% as at December 2006.
- Slowdown of the US economy.

**\* Completed buildings as at end of Q3 2006**

**\*\* Completed units and units under construction at end of Q3 2006**

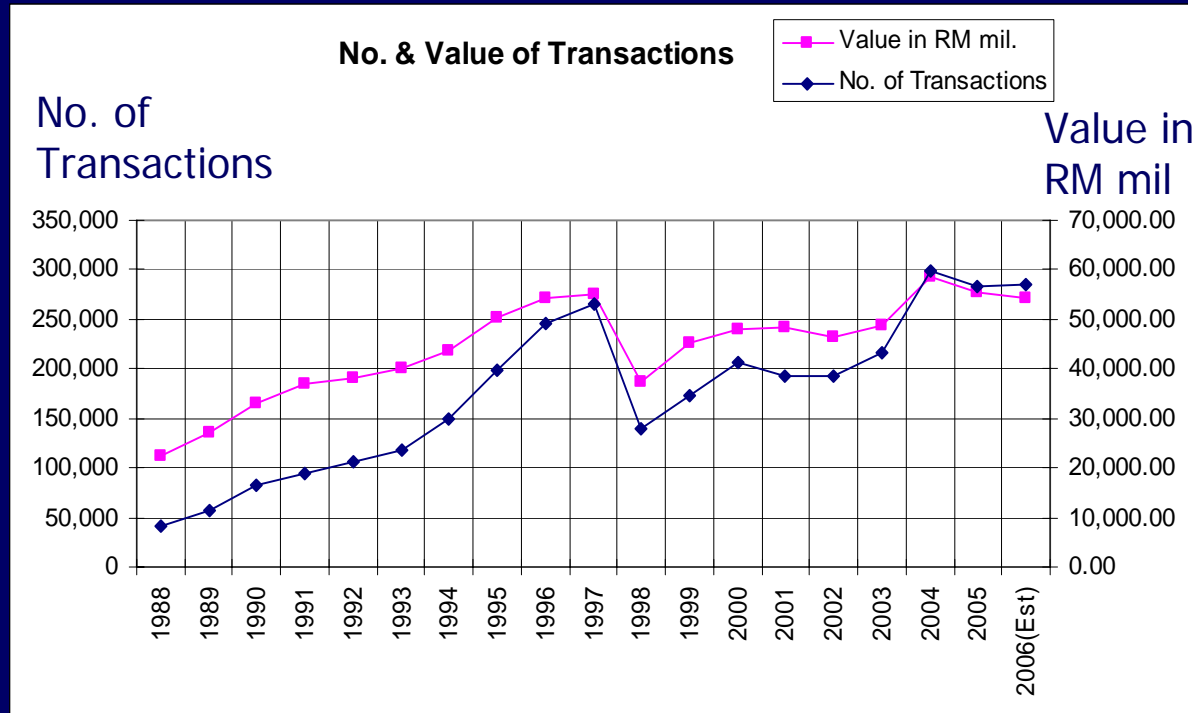
# Malaysian Property Market: Property Cycle



Property Transactions, 1996 - 2006				US\$1 = RM3.45		
	Overall			Residential Sector		
	Value			Value		
	Volume	(RM mil)	USD mil	Volume	(RM mil)	USD mil
1996	270,538	48,993.44	14,201.00	170,007	18,537.02	5,373.05
1997	274,749	53,217.32	15,425.31	175,644	21,610.49	6,263.91
1998	186,077	27,911.38	8,090.26	122,881	13,949.41	4,043.31
1999	225,901	34,422.63	9,977.57	157,082	18,539.49	5,373.77
2000	240,068	41,324.11	11,978.00	170,932	21,939.31	6,359.22
2001	242,634	38,634.83	11,198.50	176,208	22,199.24	6,434.56
2002	231,394	38,643.29	11,200.95	162,296	21,136.74	6,126.59
2003	243,376	43,434.92	12,589.83	164,723	23,011.23	6,669.92
<b>2004</b>	<b>293,212</b>	<b>59,963.52</b>	<b>17,380.73</b>	<b>195,243</b>	<b>29,295.75</b>	<b>8,491.52</b>
2005	276,508	56,781.72	16,458.47	181,762	28,407.34	8,234.01
2006(Est)	139,568	28,355.73	8,219.05	93,635	14,472.17	4,194.83

\* Peak was in 2004

# Property Cycle



Source: Property Market Reports, NAPIC 1988-2005

- 1997: Peak
- 1998: Bottom
- 1999 – 2003: Uptrend
- 2004: Peak
- 2005: Downtrend
- 2006: Slight upturn
- 2007: Mixed

# MALAYSIAN PROPERTY MARKET: RESIDENTIAL



- Residential Sector: The largest property sector
- Housing Stock: 3,786,570 units (as at Q3 2006)
- Well-designed luxurious up-market homes under the “gated and guarded” concepts and niche landed residential developments continue to sustain healthy demand
- Mass housing: slower take-up rate

## STOCK REPORT

### FOR Q1 2006

#### No. of Units

	Total Inventory	Incoming Supply	Planned Supply
Residential Stock	3,699,917	621,499	640,528
% Increase over Q4 2005	1.28%	-0.03%	1.38%

### FOR Q3 2006

#### No. of Units

Residential Stock	3,786,570	628,871	634,553
% Increase over Q2 2006	1.10%	1.60%	0.10%

# RESIDENTIAL MARKET: KL



- 29 projects launched and/or under construction in KL City Centre compared to 26 in March 2006
- Latest project is Pavilion Residences. Selling at RM1,000 psf (US\$3120 psm) and above

Project Name	Location	Developer	No. of Units
Stonor Park	Golden Triangle	Beneton Properties	71
Parkview Suites	Golden Triangle	Martego Sdn Bhd	794
MARC Residences	Jln Pinang	Beverly Tower Devt.	278
MARC Tower 2	Jln Pinang	Beverly Tower Devt.	329
Idaman Residence	KLCC	TA Enterprise	240
Dua Residency	Jln Tun Razak	E&O Property	288
Binjai Residency	Lorong Binjai	Amity Binjai SB	100
The Binjai	KLCC	Layar Intan SB	169
2 Hampshire	KLCC	Beneton Properties	93
The Avare	Lorong Kuda	Telekom / Magna Prima	78
Jln Stonor/Kia Peng	KLCC	Tan & Tan	100
Suria Stonor	KLCC	Glomac	138
Fairlane Residences	J. W. Grenier	Low Yat Group	256
Bolton Project	Jln Mayang	Bolton/UML/Capital Land	

Project Name	Location	Developer	No. of Units
Park 7	KLCC	SDB Properties	105
Berjaya Central Park	Jln Ampang	Wangsa Tegap SB	1468
Cendana	Jln Sultan Ismail	Tan & Tan	144
The Meritz	Jln Ampang	DNP Holdings	110
K Residence	KLCC	Olympia Industries	180
K Residence Tower 2	KLCC	Olympia Industries	298
The Troika	Jalan Binjai	Bandaraya Devt	229
163 residence	Jln Pinang	Yu Neh Huat	236
Hampshire Residences	Persiaran Hampshire	Tronoh/CapitaLand	350
Myhabitat	Jln Aman	AP Land	304
The Taragon	Jln Yap Kwan Seng	Taragon YKS	40
One Residency	Jln Nagasari	Lion Properties	421
Pavilion Residences	J Bkt Bintang	KL Pavilion Sdn Bhd	454
Lot 1195	J Bkt Bintang	CDL Hotels (M)	132
TOTAL			7,543



# THE PAVILION



## A. PAVILION RESIDENCES

- 2 Towers – 50 & 43 storeys
- 368 units
- Average selling price of RM1,000 psf (US\$3120 psm)

## B. PAVILION SHOPPING MALL

- Floor Area: 1.3 million sq. ft.
- Expected Completion Date: Late 2007
- Leasing Status: 65% leased
- Anchor Tenant: Parkson (250,000 sq. ft.)
  
- Project is a joint venture between Malton Bhd and Kuwait Finance House

### Type of Unit

### Size Range (sq. ft.)

1 – 4 bedrooms	680 – 4,227
Duplex	5,743 – 7,174
Penthouse	17,719



# COMMERCIAL MARKET: OVERALL MALAYSIA: OFFICE



- National stock of purpose-built offices: 14.43 mil. sq. metres in Q3 2006, up 0.2%.
- Occupancy levels have maintained at 84.3% in Q3 2006 from 84.5% in Q2 2006
- Incoming supply increased by 1.53% to 1.38 sq.m. in Q3 2006.
- Planned supply declined marginally by 2.10% to 2.14mil sq.m.

## STOCK REPORT FOR Q3 2006

(sq. metres)	Total Inventory	Incoming Supply	Planned Supply
Purpose Built Office	14,435,655	1,381,805	2,137,507
% Increase over Q2 2006	0.22%	1.53%	- 2.10%
Average Occupancy Rate	84.3%		
Est. Vacant Space	2,264,162		

Source: NAPIC



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## Office: KL: 2006

- 2.3 mil. sq. ft. of new office space entered the market
- Total office space in Klang Valley reached 65.5 mil sq. ft.
- New buildings completed: Chulan Tower, Plaza Sentral Blocks 1 & 2, Quill Building – DHL, Menara Marinara, 8 First Avenue, Putrajaya Chancery



# Office: KL: New Supply: 2007 - 2008



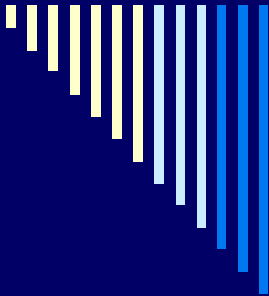
Year	Building	Location	NLA (sf)
<b>2007</b>	Plaza Cygal Tower 2	Jln Pantai Baru	300,000
	Bandar Utama Tower 1	Bandar Utama	600,000
	UOA Pantai	Jln Pantai Baru	100,000
	Plaza Sentral - Lot N	KL Sentral	350,000
	UEM Head Office	KL Sentral	300,000
	Northpoint Office Suites	Mid Valley City	450,000
			<b>2,100,000</b>
<b>2008</b>	Lot 170	Jln Perak	180,000
	Menara Commerce	Jln Raja Laut	629,333
	Lot C Project	KLCC	400,000
	Menara UAC	Bandar Utama	138,000
			<b>1,347,333</b>
		<b>GRAND TOTAL</b>	<b>3,447,333</b>



# Office: KL: Demand



Selected Grade A Buildings	Location	NLA (sf)	Average Rental RM psf pm	Average Rental US\$ psm pm	Occupancy Rate
Petronas Twin Towers	KLCC	3,195,573	8.00 – 10.50	24.75 – 32.30	95%
Menara Standard Chartered	Jalan Sultan Ismail	336,410	5.00 - 5.50	15.60 – 17.20	85%
Wisma Genting	Jalan Sultan Ismail	402,750	5.00 – 5.50	15.60 – 17.20	95%
Empire Tower	Jalan Ampang	580,000	4.00 – 5.00	12.50 – 15.60	80%
Menara Ambank	Jalan Yap Kwan Seng	458,882	3.50 – 4.50	10.90 – 14.00	92%
Wisma Denmark	Jalan Ampang	263,276	4.00	12.50	90%
Menara Maju Junction	Jalan TAR	350,000	4.00-4.50	12.50 – 14.00	90%
Menara Great Eastern	Jln Ampang	406,577	3.50	10.90	100%
Sentral Plaza Block C	KL Sentral	360,228	5.00	15.60	100%
Menara IMC	Jalan Sultan Ismail	290,000	5.50 – 6.50	17.20 – 20.45	95%
Menara Telekom	Jln Pantai Bharu	1,000,000	4.50	14.00	90%



## COMMERCIAL MARKET: KL: SALES

Sales of office buildings in KL were very active.

15 office buildings were sold in the 1<sup>st</sup> Qtr 2006 – 1<sup>st</sup> Qtr 2007

### SALES OF OFFICE BUILDINGS IN Q1 2006 – Q1 2007

Building	Date	RM Million	RM /sq.ft.	US\$/psf	Net Floor Area (sq.ft.)	Remarks
HP Tower	Feb-06	130,000,000	371	1159	350,056	Injected into REIT
Menara HLA	Feb-06	221,000,000	557	1738	396,820	Injected into REIT
Sungei Buloh Office	Feb-06	168,327,000	500	1560	336,655	to LTAT by Boustead Properties (sell & build)
Cygal Tower 2	Jan-06	92,300,000	329	1026	280,643	Purchased by Telekom Malaysia
Menara Merais	Jan-06	57,000,000	358	1118	159,002	Purchased by REIT
Bangunan MAS	Jun-06	130,000,000	481	1502	270,000	Purchased by PNB
Menara Genesis	Jun-06	53,600,000	398	1242	134,673	Purchased by Singapore company
Menara Ambank	Jul-06	230,000,000	501	1563	458,882	Injected into REIT
Menara Lien Hoe	Jul-06	53,000,000	255	796	207,764	Purchased by E-Globalfocus
Jalan 219 PJ	Jul-06	86,290,000	444	1384	194,489	Purchased by Hong Leong Bank Bhd
Empire Tower	Aug-06	270,000,000	466	1452	580,000	Purchased by Macquarie Global Prop. Advisers
Menara Aik Hua	Sep-06	36,100,000	305	951	118,446	Purchased by Petaling Gdn
Menara ING	Oct-06	75,000,000	495	1546	151,395	Purchased by REIT
Kenanga International	Nov-06	165,000,000	555	1730	297,511	Purchased by Injaz Asiaequity Property
Kelana Brem Tower	Nov-06	85,000,000	296	923	287,403	Purchased by REIT
Menara SPK	Dec-06	80,000,000	525	1637	152,495	Nadin Properties Sdn Bhd
KL Sentral Maxis Tower	Jan-07	80,036,250	525	1638	152,450	Purchased by EPF



# RETAIL MARKET: MALAYSIA



- National stock of shopping centres: 7.54 mil sq. metres, up 0.26% from Q2 2006.
- Average occupancy was 80.2% in Q3 2006 unchanged from Q2 2006.
- Incoming supply increased by 6.19% to 1.6 mil sq.m.
- Planned supply is 1.60 mil sq.m. comprising 60 buildings approved but not started.
- Retail supply in KL is unchanged at 1.89 mil sq.m. in Q3 2006
- Occupancy Rate Q3 2006: 83.0% compared to 82.7% in Q2 2006.



# RETAIL MARKET: KUALA LUMPUR - SELANGOR



- Retail space in KL-Selangor is 3.55 mil sq.m. in Q3 2006
- Occupancy Rate Q3 2006: 85.3%
- MIER reports that consumer's shopping is generally moderate and cautious in view of higher oil prices, interest rates and electricity tariffs.
- Daily needs remain but luxury spending dips





# RETAIL MARKET: KUALA LUMPUR - SELANGOR



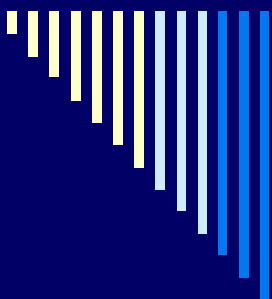
- ❑ City Centre rentals are RM18 – 50 psf (US\$56.00 – US\$156 psm)
- ❑ Suburban PJ rentals are RM10 – 30 psf (US\$ 31.20 – US\$93.65 psf)
- ❑ Retail Market Outlook: Moderately Positive
- ❑ The largest department store chain is Parkson, followed by Aeon Jusco
- ❑ Intense competition among the hypermarket giants: Tesco, Giant & Carrefour
- ❑ Makro Hypermarket quit the Malaysian market. Outlets were bought over by Tesco.

# RETAIL MARKET: KUALA LUMPUR – SELANGOR: NEW SUPPLY



<b>PROJECTED FUTURE SUPPLY OF RETAIL SPACE</b>			
<u>Year</u>	<u>Development</u>	<u>Location</u>	<u>Net Floor Area (sq.ft)</u>
2007	The Gardens	Mid Valley, Bangsar	700,000
	Sunway Pyramid Phase 2	Bandar Sunway	690,000
	Tropicana Mall	Petaling Jaya	390,000
	Rhythm Avenue	USJ Subang	350,000
	The KL Pavilion	City Centre	1,300,000
	Bangsar Village Phase 2	Bangsar	250,000
	Sooka Sentral	KL Sentral	180,000
		<b>Subtotal</b>	
2008	Suria KLCC Entension	KLCC	130,000
	Four Seasons	KLCC	750,000
	Jusco Bandar Bukit Tinggi	Klang	1,000,000
	Carrefour (Lee Rubber Site)	Klang	150,000
		<b>Subtotal</b>	
	<b>Future Supply</b>		<b>5,890,000</b>
	Existing Supply		38,161,502
	Grand Total		44,051,502

# SALES OF SHOPPING CENTRES: KL



Date	Shopping Complex Sales	Sale Price (RM)	Price RM per sq. ft.	Price US\$ per sq. m.	Net Lettable Area (sq. ft.)
13/6/2006	Plaza Ampang	70,000,000	338	1,055	207,067
15/8/2006	City Square Shopping Centre	170,000,000	561	1,755	303,000
Oct 2006	Jaya Shopping Centre / Menara Cold Storage	130,000,000	827*	2,185	123,849
Oct 2006	Subang Parade	280,000,000	592	1,851	472,709
Oct 2006	Mahkota Parade	232,000,000	492	1,539	471,417
Feb 2007	Sungei Wang Plaza (partial)	284,800,000	602	1,873	473,472
Mar 2007	Atria Shopping Centre	75,000,000	360	1,119	208,401

\* Estimate for shopping mall space only

- Capitol Hotel Sdn Bhd, acquired Plaza Ampang in Kuala Lumpur from Hong Kong's Chinney Investments Ltd for HK\$142.1 million (US\$20.3 million)
- Asia Pacific Land Bhd (AP Land) sold its prime City Square Centre to international property fund Macquarie Global Property Advisors (MGPA) for RM680 million cash (US\$197 million) . The deal marks MGPA's first acquisition of assets in Malaysia. Plaza Ampang resold to MGPA for RM80 million (US\$23.2 million)
- Jaya Shopping Centre/Menara Cold Storage was purchased by CIMB-Mapletree for RM130 mil. (US\$37.7 million) (Est. RM102.4 mil for retail space & RM27.6 mil. for offices and car parks)
- Atria Shopping Centre was purchased by OSK Properties Bhd



# Tourism Industry: Malaysia

- 8.56 million tourists up to June 2006, compared to 8.27 million up to June 2005.
- Target of 20 mil tourists in VMY 2007, a 14.3% increase over 17.5 mil. tourists for 2006

## Malaysia Tourist Arrivals and Receipts

Year	Arrivals		Receipts	
	(million)	% Increase	(RM bil)	(US\$ bil)
1999	7.93		12.321	3.571
2000	10.22	28.9%	17.335	5.025
2001	12.78	25.0%	24.221	2.035
2002	13.29	4.0%	25.781	7.473
2003	10.56	-20.5%	21.291	6.171
2004	15.70	48.7%	29.654	8.595
2005	16.40	4.5%	31.0 (e)	8.9 (e)
Jan - June 2006	8.56	4.84%	N.A.	N.A.

Source: Tourism Malaysia

# HOTEL SECTOR



- There were 2,148 hotels; 146,681 rooms in Malaysia in Q3 2006
- 2 new KL Hotels: Traders and Novotel Majestic Hydro

<b>STOCK REPORT FOR Q3 2006</b>	<b>Total Inventory</b>	<b>Incoming Supply</b>	<b>Planned Supply</b>
No. of hotel rooms	146,681	15,862	33,023
% Increase over Q2 2006	0.17%	1.50%	-0.76%
Average Occupancy Rate for 5 star hotels		66.8%	

<b>STOCK REPORT FOR Q1 2006</b>	<b>Total Inventory</b>	<b>Incoming Supply</b>	<b>Planned Supply</b>
No. of hotel rooms	144,324	15,201	33,432
% Increase over Q4 2005	0.38%	-3.54%	0.00%
Average Occupancy Rate for 5 star hotels		66.5%	

Source: Tourism Malaysia & NAPIC



# HOTEL OCCUPANCY BY REGION



Occupancy rate  
of 3-5 star  
hotels  
(%)

State	Q3 2005	Q3 2006
KL	77.4	79.9
Selangor	71.6	72.6
Johor	71.3	71.1
Penang	71.0	70.5
Sabah	78.9	80.0
Sarawak	68.0	66.7

Source: Leisure Stock Report Q3 2006, NAPIC



# NEW HOTEL SUPPLY: KL

PROJECTED NEW SUPPLY OF HOTELS			
New Hotels	Rooms	Date	Remarks
<b>2007</b>			
Peninsula Residence Hotel	86	2007	Jln Semantan
Impiana Putrajaya	222	2007	Phase 1
One-World @ BU	468	2007	Bandar Utama
	776		
<b>2008-2009</b>			
Impiana on KLCC Park II	170	2007	Phase 2 Jalan Pinang
Impiana Putrajaya	201	2007	Phase 2
Four Seasons Hotel	200	2009	plus 50 service apartments
Grand Hyatt Hotel	NA	NA	KLCC Area
Gardens Hotel	NA	2007/08	Mid Valley Megamall
Rendezvous Hotel	388	2009	Jln Changkat Thambi Dollah
Conlay Plaza Hotel	285	NA	Jalan Conlay
	1244		
<b>TOTAL</b>	<b>2,020</b>		



# HOTEL SALES



Hotel	Date Of Sale	No. of Rooms	Sale Price (RM)	Est. Price Per Room (RM)	Sale Price (US\$)	Est. Price Per Room (US\$)
Holiday Villa Alor Star	Feb-06	160	28,000,000	175,000	8,116,000	50,725
Holiday Villa Cherating	Feb-06	100	21,870,000	218,700	6,339,000	63,391
Holiday Villa Langkawi	Feb-06	258	50,000,000	193,798	14,493,000	56,173
Grand Centrepoint	Jul-06	100	12,500,000	125,000	3,623,000	36,232
Westin KL	Aug-06	452	455,000,000	1,006,637	131,884,000	291,779
Crown Princess	Aug-06	571	240,000,000	420,315	69,565,000	121,830
Sheraton Subang	Sep-06	502	140,000,000	278,884	40,580,000	80,836
Hotel Midah	Feb-07	198	29,000,000	146,465	8,406,000	42,454
Four Seasons Langkawi	Mar-07	(villas only) 91	400,000,000	4,395,604	115,942,000	1,274,088



# HOTEL SALES

- Macquarie Global Property Advisors (MGPA) acquired 28-storey 571-room Crown Princess Hotel for RM240 million (US\$69.6 million)
- The 452-room five-star Westin Kuala Lumpur Hotel was sold to Newood Assets Ltd, an international property investment company, for RM455 million (US\$131.9 million)
- The Sheraton Subang Hotel was sold for RM140 million (US\$40.6 million) (originally tendered at RM180 million) to the Far East Consortium International (HK)
- 100 room Grand Centrepont hotel was purchased by Tune Hotel Sdn Bhd, a subsidiary of Air Asia for RM12.5 million (US\$ 3.6 million)
- Four Seasons Langkawi, a 91 all-villa resort hotel was sold to Kingdom Langkawi B.V. a company owned by Prince AlWaleed Bin Talal Bin AbdulAziz AlSaud for RM400 million (US\$115.9 million)





# INDUSTRIAL SECTOR



- 9MP focus on SME
- Industrial Master Plan
- Industrial Fund established by the Government
- The Industrial sector will experience a boost in growth as the Government focuses on small and medium enterprises (SME)
- No new industrial parks have been developed in the past 10 years
- There is limited supply of industrial land for industrialists looking for 20 acre plots in Klang Valley
- Strong interest in logistics warehousing and distribution centres from REITs
- The Government announced that RM46 billion worth of manufacturing projects (1,077) had been approved in 2006.

## STOCK REPORT FOR Q3

2006

No. of Units	Total Inventory	Incoming Supply	Planned Supply
Industrial Property Stock	87,146	7,367	22,581
% Increase over quarter	2.97%	-2.01%	0.95%

# APPROVED MANUFACTURING PROJECTS 2006



Approved Manufacturing Projects 2006 & 2005					
	2006 (RM)	2005 (RM)	2006 (US\$)	2005 (US\$)	Change
Number of Projects	1,077	1,027			
Total Proposed Capital Investment	45,993,000,000	31,056,600,000	13,331,000,000	9,002,000,000	
Local	25,765,100,000	13,173,700,000	7,468,100,000	3,818,500,000	96%
<b>Foreign</b>	<b>20,277,900,000</b>	<b>17,882,900,000</b>	<b>5,877,600,000</b>	<b>5,183,400,000</b>	<b>13%</b>
By Industrial Sector					
<b>Petroleum Products</b>	<b>11,437,654,578</b>	<b>734,731,180</b>	<b>3,315,200,000</b>	<b>212,900,000</b>	<b>1457%</b>
Electronics & Electrical Products	10,023,689,955	13,793,782,379	2,905,400,000	3,998,200,000	-27%
Chemicals & Chemical Products	9,143,940,518	1,721,043,461	2,650,400,000	498,800,000	431%
Basic Metal Products	2,724,178,209	3,204,971,180	789,600,000	928,980,000	-15%
Others	12,663,536,740	11,602,071,800	3,670,600,000	3,362,900,000	9%
	<b>45,993,000,000</b>	<b>31,056,600,000</b>	<b>13,331,000,000</b>	<b>9,002,000,000</b>	<b>48%</b>

Source: MIDA Report 2006



# Third Industrial Master Plan



- The Government unveiled the Third Industrial Master Plan (2006-2020) in August 2006.
- The services sector is one of the pivots in the Third Industrial Master Plan (IMP3, projected to grow at 7.5% per annum and construction services, at 5.7%.
- Sub-sectors identified for further development: business and professional, distributive trade, construction, education and training, healthcare and tourism.
- The government will consider giving financial support to assist Malaysian companies in undertaking services-related ventures abroad
- To meet financing needs, two funds — the Export Services Fund and Services Development Fund for SMEs — have been established
- A Distributive Trade Master Plan will be formulated, which will contain strategies to promote foreign direct investments (FDIs) and cross-border trade

**Malaysia FDI Approved Projects**

Year	RM bil	US\$ bil
2000	25.27	7.32
2001	24.82	7.19
2002	12.86	3.73
2003	14.63	4.24
2004	11.08	3.21
2005	17.88	5.18
2006	20.28	5.88

# INDUSTRIAL MARKET



Selected Sales of Industrial Properties								
Date	Price	Description	Location	Built-up Area	Price psf (RM)	Price psm (US\$)	Est.Net Yield	
May-05	6,000,000	Warehouse	Shah Alam	41,915	143.15	446	7.40%	
Jun-05	93,000,000	Axis Business Park	Petaling Jaya	339,953	273.57	854	7.50%	
Dec-05	29,000,000	Kompleks Kemajuan	Petaling Jaya	318,614	91.02	284	11.58%	*gross
Mar-06	19,000,000	Factory	Shah Alam	129,720	146.47	457	7.50%	
Apr-06	10,300,000	Factory	Port Klang	149,248	69.01	215	12.82%	*gross

Values of Land of Selected Industrial Estates (RM per sq. ft.)			
Area	2004	2005	2006
Glenmarie Industrial Park, Shah Alam	70	72	75
Section 51A, Petaling Jaya	130	140	150
Lion Industrial Park, Shah Alam	40	45	48
Bukit Raja Prime Industrial Park, Klang	35	37	38
Noth Klang Straits Industrial Area, Port Klang	20	22	23
Rawang Integrated Industrial Park	19	23	25

- Amanah Raya Bhd purchased Tamadam Port Klang warehouse for RM29 million (US\$8.4 mil)
- Axis REIT purchased Cycle & Carriage Bintang HQ and Service Centre for RM32.5 million (US\$ 9.4 mil)
- ACB sold 66,450 sq.m. of leasehold industrial land in Port Klang for RM23 mil. (US\$ 6.7 mil)

# REITS



- No. of Listed REITs: 11
- **Quill Capita Trust** has been the star performer, its closing price rising to RM1.58, providing an 88.1% windfall for its initial investors
- 7 out of the 11 listed REITs are currently trading below their IPO price. How will this affect future Reits?
- Axis REIT continues to generate interest with additional acquisitions: Cycle & Carriage Bintang HQ & Service Centre (RM32.5mil), Kayangan Depot (RM16.1 mil), Lot 24, North Port, Port Klang (RM10.3 mil) and Kompleks Kemajuan, PJ (RM29.0 mil)

	Unit Price as at 2/4/2007 (RM)	IPO Price (RM)	Price Appreciation/ Loss in value (%)
Axis REIT	1.770	1.250	41.60%
AL-'AQAR KPJ	0.980	0.950	3.15%
Starhill REIT	0.940	0.960	-2.08%
UOA REIT	1.080	1.150	-6.09%
Tower REIT	0.935	1.070	-12.62%
AmFirst REIT	0.900	1.000	-10.00%
Hektar REIT	1.010	1.050	-3.81%
Boustead REIT	1.200	0.990	21.21%
Quill Capita Trust	1.580	0.840	88.10%
Amanahraya REIT	0.905	0.940	-3.72%
Atrium REIT	0.935	1.050	-10.95%



# REITS: NEW REIT PLAYERS



- Al-'Aqar KPJ REIT, listed in Aug 2006 is the first Islamic healthcare REIT in the world with 6 hospitals
- AmFirst Property Trust (APT) converted into a bigger REIT Company, Amfirst REIT. Current investors received 40 sen cash and 1 new REIT of RM1 for every unit of APT held.
- HEKTAR REIT comprising 2 shopping malls – Subang Parade and Mahkota Parade was offered for sale on November 15, 2006.
- Boustead Group listed a RM500 million (US\$145 mil) Islamic plantation REIT on Jan 15, 2007.
- AMANAHRAYA REIT was offered for sale on Jan 26, 2007.
- ATRIUM REIT, the first industrial asset-focused Reit was offered for sale on Feb 28, 2007.
- Employees Provident Fund, PNB, Sunway Group, UEM Group, Sime Darby, Keck Seng Group are also planning REITs



# REITS - BUDGET 2007



Budget 2007 further encouraged REIT development with tax breaks as follows:

- Dividends received by individual foreign and local investors taxed at 15% (previously 28% for foreigners)
- Foreign institutional investors' dividends from REITs taxed at 20% from 28% before.
- Undistributed income from REITs exempted from tax provided they distribute at least 90% of their income





# Malaysia My Second Home



- MM2H is being further improved and now under the jurisdiction of the Ministry of Tourism
- Participants no longer require sponsors
- 1-stop Centre was set up in June 2006
  
- Participants mainly from Japan S. Korea and UK. Other countries to be targeted are Bangladesh and China

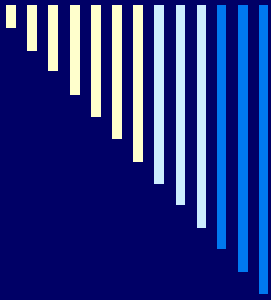
<b>NUMBER OF MM2H PARTICIPANTS</b>	
<b>YEAR</b>	<b>NUMBER</b>
2002	818
2003	1,645
2004	1,917
2005	2,615
2006 (AUGUST)	2,581
<b>TOTAL</b>	<b>9,576</b>



# MARKET OUTLOOK 2007



- The Malaysian Economy will remain robust in 2007 with GDP Growth of 6% predicted.
- Residential sales will see an increase in turnover compared to 2005 and 2006.
- Mass housing: Still oversupply, particularly those units priced below RM250,000 (US\$72,500)
- Office occupancy levels and rentals will inch higher.
- More big ticket property purchases and more cross-border property transactions are likely.
- Entry of more foreign purchasers as a result of relaxation of restrictions on number of purchases and local borrowing as well as abolishment of RPGT
- Overall Property Market Trend: Will see improvements in the broad property market, triggered by increase in foreign buying



THANK  
YOU