



Block B, C & D - Escalator Tensile Fabric Canopy



Block D - Left Elev



Block C & D - Feature Wall

Malaysia Commercial Market Update¹

Economy:

Malaysia's economy registered slower growth of 5.3% year-on-year (YOY) in Q3 2010, after expanding by 8.9% and 10.1% in Q2 and Q1 2010 respectively. The Bank Negara Malaysia said the growth in 2010 was driven by expansion in domestic demand with slower growth in external demand. The Malaysian Institute of Economic Research (MIER) has forecasted economic growth for the whole of 2010 to be 6.8%.²

Vacancy Rates:

The office market continued to experience active enquiries. The total stock of office space increased as three new buildings were completed towards the end of the quarter. The overall vacancy rate in Q4 2010 for Kuala Lumpur is over 13% compared to just below 13% in Q3 2010, however in the city center the CBD has a vacancy rate of just above 7%.

Rental Values:

Prime gross asking rents in KLCC have risen to RM 7.15 during the quarter, up 2% in the second half of the year. The landlords who have increased rents have done so on the back of improved occupancies in their own building, but the majority of rents have remained unchanged from Q3 2010, this is down to an increase in supply to the market therefore rents are likely to remain flat in the short term.

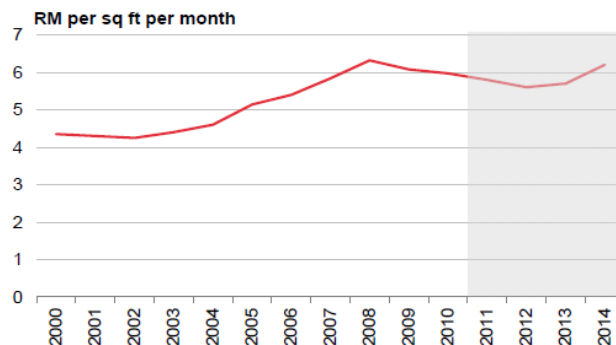
Capital Values:

The sale of Wisma KLIH has been the most significant transaction in Q4 2010. The building is located in Butik Bintang area and was sold for a total consideration of up to RM 58 million depending on renovation works being carried out by the developer (RM 1,050 per square foot), earlier in 2010 the building was valued at RM 38 million. The building consists of 14 stories and has 55,200 square feet of net lettable office space.

Outlook:

DTZ has forecasted that the office market will cool in the short term as supply increases and before the Economic Transformation Programme (ETP) starts to take place rents may slight decrease. However the government's effort to target 100 multinational companies to have a presence in Malaysia and introduction of the ETP, that includes the proposed commencement of high impact infrastructure projects such as the MRT and the extension of the LRT lines, will spur growth in office demand in the long term.

Average prime office gross rents



Source: DTZ Research

¹ CBRE Market View – Kuala Lumpur Office Market Q4 2010 & DTZ Research, Property Times – Kuala Lumpur Q4 2010

² <http://www.malaysian-economy.com/2011/01/mier-says-malaysias-gdp-is-52-for-2011.html>