

WTW Property Market

2007



WTW
INTERNATIONAL

C H Williams Talhar & Wong

C H Williams Talhar & Wong

Established in 1960, C H Williams Talhar & Wong (WTW) is a leading real estate services company in Malaysia and Brunei (headquartered in Kuala Lumpur) operating with 24 branches and associated offices. WTW provides Valuation & Advisory Services, Agency & Transactional Services and Management Services.

HISTORY

Colin Harold Williams established C H Williams & Co in Kuala Lumpur in 1960. In 1973, the sole ownership became a 3-way equal partnership of Messrs C H Williams Talhar & Wong following the merger with Johor based Talhar & Co (founded by Mohd Talhar Abdul Rahman) and the inclusion of Wong Choon Kee.

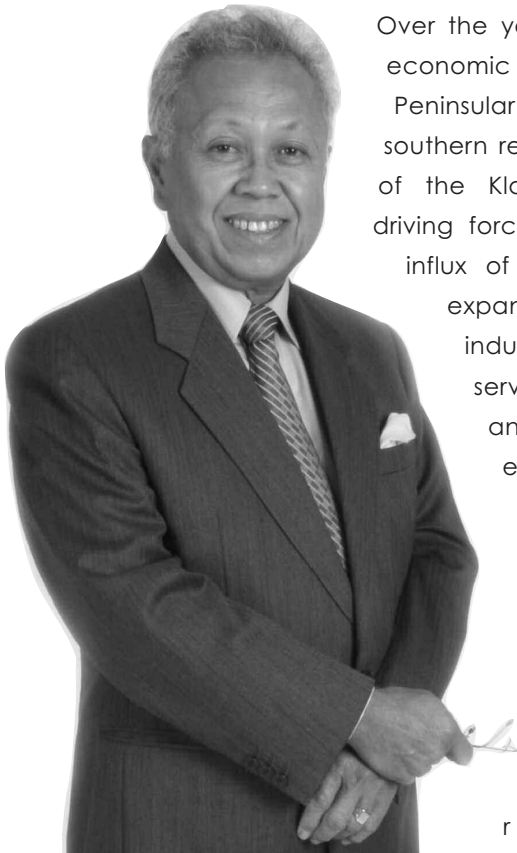
PRESENT MANAGEMENT

The current Management is headed by the Group Chairman, Mohd Talhar Abdul Rahman.

The Managing Directors of the WTW Group operations are :

- | | |
|---|-----------------|
| • C H Williams Talhar & Wong Sdn Bhd | Goh Tian Sui |
| • C H Williams Talhar & Wong (Sabah) Sdn Bhd | Chong Choon Kim |
| • C H Williams Talhar Wong & Yeo Sdn Bhd (operating in Sarawak) | Wong Ing Siong |
| • WTW Bovis Sdn Bhd | Dinesh Nambiar |

Chairman's Foreword



MOHD TALHAR ABDUL RAHMAN

Over the years, the rate of economic growth of Peninsular Malaysia's southern region mirrors that of the Klang Valley. The driving force has been the influx of investment into expansion of existing industries and services, relocations, and of new enterprises. These manufacturing, distributive and support tier industries are in effect the prime generator of demand for real estate products, ranging from the various

segments of residential sector to the hospitality and leisure and to the retail and office sectors.

During the last three decades the accommodation for these industries are accommodated in an uncoordinated manner over a wide area under the jurisdiction of several local authorities. Pasir Gudang exemplifies a successfully implemented development plan. Pasir Gudang recently celebrated its successful quarter century. One principal key to this success was the consistency in carrying out the constituent developments according to the Development Plan and stated policies, particularly in terms of the management of land-use.

However, the accommodation of such industries in Kulai, Senai, and Skudai and other areas outside the

Johor Bahru City boundary, and in the outer areas of JB City was more ad hoc than planned. Planning was in effect an act of accommodating *fait accomplis*. While this did not affect the rate of economic growth to the region as a whole, it contributed to the acute leakage of financial capital caused by hit-and-miss land-use management. Unoccupied houses and shop premises, derelict and untended commercial buildings are manifestations of failure to adapt to a private sector-led land-use development.

If the economic growth is accommodated in these geographical areas in a co-ordinated manner, and managed conjointly inter and intra local authorities and the State Authority, with the set purpose of getting the positives out of each area, the component areas and the region as a whole will significantly gain. Investment value will be sustained and the economy of the region can quantum-leap.

With this in mind, the setting up of regional development authorities such as Iskandar Regional Development Authority (IRDA) certainly deserves the accolade of all. The challenge for the Authority is in being steadfast in securing that objective, and in being transparent in the execution. Integral in that challenge is getting those areas afflicted by failed developments into the overall equation in the Authority's action remit. Regeneration of the JB city centre, for example is as much a priority as the new development activities in Nusajaya.

Given the opportunity under the 9th Malaysia Plan and with the full measure of dedication shown by those involved, and with the willingness to work in partnership with all parties in a transparent manner and in the spirit of goodwill there is every reason that IRDA will succeed in delivering its promise to make the region a global hub and destination. IRDA will set the mould for the setting up of other regional authorities encompassing local authorities.

2007 Market Direction

	Office	Retail	Shophouse	Residential	Industrial	Hospitality	Development Land	Agricultural
Kedah	↔	↔	↔	↔	↔	↔	↔	↔
Alor Star	↔	↔	↔	↑	↔	↔	↔	↔
Penang	↔	↔	↑	↑	↔	↑	↑	↔
Butterworth	↓	↑	↑	↑	↔	↑	↑	↔
Perak	↔	↔	↔	↔	↔	↔	↔	↑
Ipoh	↔	↔	↔	↔	↔	↔	↔	↑
Klang Valley	↑	↔	↑	↑	↔	↑	↑	na
Kuala Lumpur	↑	↔	↑	↑	↑	↑	↑	na
Petaling Jaya	↔	↔	↔	↔	↑	↔	↔	na
Shah Alam	↔	↔	↔	↔	↑	↔	↔	na
Klang	↔	↔	↔	↔	↑	↔	↔	na
Negeri Sembilan	↓	↓	↔	↔	↓	↓	↔	↑
Seremban	↓	↓	↔	↔	↓	↓	↔	↑
Malacca	↔	↓	↔	↔	↓	↓	↑	na
Johor	↓	↔	↑	↑	↔	↔	↑	↑
Batu Pahat	↔	↔	↑	↔	↑	↔	↑	↑
Johor Bahru	↔	↔	↔	↔	↔	↔	↔	↔
Pahang	↔	↔	↔	↔	↔	↔	↔	↔
Kuantan	↔	↓	↓	↓	↔	↑	↔	↔
Terengganu	↔	↔	↑	↑	↔	↔	↑	↔
Kuala Terengganu	↔	↔	↑	↑	↔	↔	↑	↔
Kelantan	↓	↔	↑	↑	↔	↔	↑	↑
Kota Bharu	↓	↔	↑	↑	↔	↔	↑	↑
Sabah	↓	↔	↔	↔	↑	↑	↑	↔
Kota Kinabalu	↓	↑	↑	↔	↑	↑	↑	↑
Sandakan	↓	↑	↑	↑	↔	↔	↔	↑
Tawau	↔	↑	↑	↑	↑	↔	↑	↑
Lahad Datu	↓	↔	↔	↔	↑	↑	↔	↔
Labuan	↓	↔	↔	↔	↑	↑	↔	↔

na Not Applicable

WTW, March 2007

PROPERTY MILESTONES AND KEY PROPERTY PLAYERS IN 2006

Undeniably a milestone year for the property market in the Klang Valley in 2006, particularly so for the hospitality industry where The Westin Kuala Lumpur was transacted at a record RM1.006 million per room, breaching all records ever attained in the country previously. The year also witnessed Malaysia's first satellite town, Petaling Jaya, achieve city status. In 2006, the total supply of office space in Klang Valley surpassed the 65 million sq ft mark whilst the integrated development, City Square Centre, was transacted at RM680 million, another first of its kind transaction.



*The Westin Kuala Lumpur transacted at RM455 million
WTW brokered this transaction*

- The record breaking transaction of the year was that of **The Westin Kuala Lumpur**, the 452 room 5-star hotel establishment that was transacted at RM455 million. **WTW was the Marketing Agent who successfully negotiated and concluded this transaction.** The vendor, Ireka Corporation Berhad, sold the establishment to a foreign investor, Newood Assets Ltd.
- Another notable transaction was the RM680 million sale of **City Square Centre** comprising Empire Tower (with 580,118 sq ft of office space), the 571 room Crown Princess Hotel and City Square (with 303,000 sq ft of retail space) to Macquarie Global Property Advisors from Australia.
- A RM10 billion infrastructure improvement to the Klang Valley Integrated Rail Transit System was announced to extend existing lines :
 - A new 30 km line from Damansara to Kota Damansara
 - Extension of the Kelana Jaya line to include Subang and USJ
 - Extension of the Sri Petaling line to Puchong.
- Prolintas, a highway concessionaire, also announced the RM600 million 14.7 km highway in Selangor linking KESAS Kota Kemuning to the Federal Highway.
- The 9th Malaysia Plan 2006-2010 (9MP) was announced in March 2006 giving prominence to major infrastructure projects that is an impetus for development.
- The opening of the 7.5 km RM150 million NKVE-Setia Alam link has provided access from NKVE to Jalan Meru.
- A 83 acre site has been allocated for Klang Sentral, a commercial and transportation hub at Bukit Raja.
- Prokhas Sdn Bhd (wholly owned subsidiary of the Ministry of Finance) was appointed to professionally manage the residual assets of Pengurusan Danaharta.
- In February 2006, KL Sentral (Plaza Sentral Ph 2) was awarded Multimedia Super Corridor (MSC) status by the Multimedia Development Corporation (MDC).
- National carrier, Malaysian Airline System (MAS) put up its assets for sale to assist in meeting funding requirements.
- Island & Peninsular Berhad (I&P) launched the 1,200 acre Alam Impian in Shah Alam introducing RM4 billion worth in launches in 2006.
- In an effort to promote **Real Estate Investment Trusts (REITs)**, the Securities Commission of Malaysia issued guidelines to enable borrowing limits increased from 35% to 50% of the total asset value. Additionally, the Government announced, under the Malaysia Budget 2007, that proposed dividends received by local and foreign individual investors and local unit trusts from listed REITs be taxed at a rate of 15% (previously 28%) and foreign institutional investors at 20% (previously 28%).
- A record year also for REITs in Malaysia where the world's first Islamic REIT and the first Islamic plantation REIT were announced; the Al-'Aqar KPJ REIT and the Al-Hadharah Boustead REIT respectively.

Kuala Lumpur & Selangor (incl. Putrajaya / Cyberjaya)

- Four REITs were listed in 2006, they include Tower REIT, Al'Aqar KPJ REIT, AmFirst REIT and Hektar REIT. QuillCapital Trust REIT and Amanah Raya REIT were listed in early 2007.
- REIT related commercial property deals in 2006 include:
 - Menara HLA to Am Trustee Berhad (on behalf of Tower REIT) at RM221 million (@ RM557 per sq ft)
 - HP Towers in Damansara Heights to Am Trustee Berhad (on behalf of Tower REIT) at RM130 million (@ RM376 per sq ft)
 - Menara ING at Jalan Raja Chulan was injected into Tower REIT at RM75 million (@ RM495 per sq ft)
 - Menara AmBank on Jalan Yap Kwan Seng to Mayban Trustees Berhad (on behalf of AmFirst REIT) at RM230 million (@RM501 per sq ft)
 - Bangunan AmBank Group to Mayban Trustees Berhad (on behalf of AmFirst REIT) at RM180 million (@RM500 per sq ft)
 - AmBank Group Leadership Centre to Mayban Trustees Berhad (on behalf of AmFirst REIT) at RM19 million (@RM329 per sq ft)
 - Menara Merais in Petaling Jaya to Mayban Trustees Berhad (on behalf of AmFirst REIT) at RM57 million (@ RM358 per sq ft)
 - Kelana Brem Towers was transferred to Mayban Trustees Berhad (on behalf of AmFirst REIT) at RM85 million (@RM296 per sq ft)
 - Subang Parade was injected into the Hektar REIT at RM280 million (@RM593 per sq ft)
- Quill Buildings 1-4 was transferred to Mayban Trustess Bhd (on behalf of Quill Capita Trust) at RM280 million
- Wisma Amanah Raya, Wisma Amanah Raya Bhd and Wisma UEP were transferred to CIMB Trustees Bhd (on behalf of Amanah Raya REIT) for RM156.5 million
- Other notable transactions in 2006 include:
 - Menara Aik Hua at Changkat Raja Chulan was sold at RM36.1 million (@RM305 per sq ft). **WTW was the Marketing Agent who successfully negotiated and concluded this transaction.**
 - Contiguous parcels of land at Jalan Mayang for RM112.287 million (@RM600 per sq ft)
 - Contiguous parcels of land at Jalan Delima for RM10.534 million (@RM350 per sq ft)
 - The sale of Bangunan MAS on Jalan Sultan Ismail to Permodalan Nasional Berhad at RM130 million (@RM481 per sq ft)
 - The sale of Selayang Mall to Amanah Raya Berhad for RM120 million (@RM329 per sq ft)
 - The sale of Menara Genesis on Jalan Sultan Ismail at RM53.6 million (@RM398 per sq ft)
 - Plaza Ampang (previously known as Yow Chuan Plaza) was sold at RM70 million (RM288 per sq ft)
- The year ended with the announcement (subject to approval) that Sg Wang Plaza (portion owned by Landmarks Berhad amounting 473,472 sq ft) one of the oldest and notable shopping centres in the Golden Triangle of Kuala Lumpur, was sold at RM284.8 million



Menara AmBank listed on AmFirst REIT



HP Towers listed on Tower REIT

2006 MARKET ACTIVITY

With considerable hype created over REITs, the property market in 2006 in Klang Valley was dominated by commercial income producing properties purchased by REITs and property funds. The increased number of transactions of commercial (office, retail and hotel) properties was mainly due to increasing number of REITs listed during the year; and foreign investor's interest. The residential sector has been focusing predominantly on niche high end residential (landed and non-landed) market as mass housing takes a temporary breather.

Within Kuala Lumpur the most active locations identified include KLCC, KL Sentral (with MSC status), Golden Triangle of KL and Bangsar. Outside the financial centre, Puchong, Mutiara Damansara, Ara Damansara, Shah Alam, Kota Damansara and Bandar Bukit Tinggi in Klang have been favoured by developers in 2006.

• Residential

As mass housing takes a breather in Klang Valley, the market for well-designed luxurious upmarket homes in enclaves (landed and non-landed) continued into 2006 as the "gated & guarded" and "build & sell" concepts remained a favourite. These include :

- **Cemerlang Villas** at Taman Duta comprising bungalow units on a 1.8 acre site priced from RM13 million.
- The gated & guarded **Primaya** by UDA Holdings Berhad in Bandar Tun Hussein Onn comprising 140 landed units on a 17 acre site.
- **Ken Aman** by Ken Holdings in Sri Kembangan offering 29 units of 2½-storey homes
- **Kiara Hills** by Sunway City Berhad offering 33 units of 3½-storey courtyard villas priced from RM2.1 million
- **Anjung Tiara** in Segambut offering 3-storey semi-detached homes priced from RM1.47 million.
- **Zehn Bukit Pantai** by Juta Asia Properties Sdn Bhd offering 187 condominium units on a 1.9 acre site priced from RM500 per sq ft
- **Tiffani by i-Zen** was launched by Ireka Corporation Berhad offering 399 condominium units priced from RM500 per sq ft.
- **One Menerung** by Bandaraya Development Berhad offered 201 units on a 9 acre site in Bangsar priced from RM650 per sq ft or RM2.59 million per unit.

To add to the significant number of higher-end residential market launches, a considerable number of new serviced apartments was launched in 2006 which are expected to be completed within the next 2-3 years. These developments include Pavilion Residences and One-KL in the city centre; and Verve Suites and Gateway Kiaramas in Mont Kiara. The average occupancy rates of hotel-operated establishments and serviced residences were registered at 80% and 70% respectively.

The more traditional terraced houses have been identified in "property hot spots" such as Shah Alam, Klang and Puchong.

• Offices

With 2.3 million sq ft of new office space entering the market in 2006, the total office space available in Klang Valley reached 65.5 million sq ft. New buildings include Chulan Tower, Plaza Sentral - Blocks 1 & 2, Quill Building - DHL, Menara Marinara, 8 First Avenue and Putrajaya Chancery Offices.

Vacancy rates hovered around 14% whilst average prime rents in Kuala Lumpur increased from RM4-6 per sq ft at the first quarter of 2006 and increased to RM5-7 per sq ft by year end. Some major movers include Malaysia Airports Holdings Berhad move to Menara IMC, Singapore Airlines Ltd shift to Menara Multi-Purpose, EXIM Bank of Malaysia to UBN Tower; Maxis Broadband Sdn Bhd and British Telecom to Plaza Sentral, The University of Nottingham Malaysia to Chulan Tower and IBM Malaysia Sdn Bhd to 8 First Avenue. Most movers were seeking additional space for expansion indicating confidence in the market.

It was the listing of Real Estate Investment Trusts (REITs) that energetically stirred the transaction of commercial buildings in 2006. The REITs include Tower REIT, Al'Aqar KPJ REIT and AmFirst REIT and hence created the requirement for office buildings to be transacted as follows:

- Menara HLA, HP Towers and Menara ING at RM221 million, RM130 million and RM75 million respectively
- Wisma UOA Bangsar at RM21 million
- Menara AmBank, Bangunan AmBank Group, AmBank Group Leadership Centre, Menara Merai and Kelana Brem Towers for a total of RM571 million.

Other significant transactions include Bangunan MAS (RM130 million), Menara Genesis (RM53.6 million), Menara Aik Hua (RM36.1 million), Empire Tower (RM270 million) and Menara Lien Hoe (RM53 million).



Menara Aik Hua
transacted at RM36.1 million
WTW acted as Agent for this transaction



Empire Tower
transacted at RM270 million

There has been an increasing number of commercial buildings concentrated in Petaling Jaya namely PJ Exchange, PJ Eight and Jaya 33. PJ Exchange comprises a 34-storey office tower offering 330,000 sq ft of NLA by SBC Corporation Berhad located adjacent to Amcorp Mall, PJ Eight by IJM Properties Sdn Bhd comprises office suites, serviced suites and retail suites located adjacent to the Federal Highway near PJ Hilton Hotel whilst Jaya 33 by Jaya 33 Sdn Bhd in Section 14 PJ is touted to be the first hyperoffice development providing 430,000 sq ft of NLA. In Klang, Prima Klang Avenue by Prima Tenggara Sdn Bhd was launched offering 164 office suite and and 92 retail showrooms on a 4.52 acre site facing Jalan Jambatan Kota and Jalan Kota. The units are priced from RM137,888 for the smallest unit of 784 sq ft. It was reported that 60% of the units were taken-up prior to launch in October 2006.

• Retail

The total retail space in Klang Valley stood at 32.4 million sq ft by year end with a vacancy rate increasing from 12% in 2005 to 14% in 2006. Major retailers have made significant tenancy commitments as anchor tenants such as Cold Storage at Subang Parade, Summit Subang and Berjaya Times Square; Metrojaya at the Curve and Avenue-K; and Isetan and Robinsons at The Gardens MidValley. This indicates the confidence in the sector by prominent retailers in the country. Tesco Malaysia purchased all eight Makro outlets in Malaysia (subject to approval).

However, it is noted that the supply of retail space in Klang Valley is expected to increase significantly over the next few years and hence is of some concern as the following centres near completion:

- Sunway Pyramid 2 with an additional 660,000 sq ft of nett lettable area (NLA) space
- AEON Bukit Tinggi with 1 million NLA in Klang and touted to be the largest Jaya Jusco store in South East Asia
- Bangsar Shopping Centre Ph 2 (178,220 sq ft)
- Solaris Mont Kiara (560,000 sq ft)
- KL Pavillion with 1.13 million sq ft of NLA
- Tropicana City with 390,000 sq ft of NLA
- The Gardens at MidValley (800,000 sq ft)

Four retail centres were transacted in 2006 that include:

Plaza Ampang	RM70 million	RM283 per sq ft
City Square	RM170 million	RM561 per sq ft
Selayang Mall	RM120 million	RM329 per sq ft
Subang Parade	RM280 million	RM593 per sq ft

It has been announced that a portion (473,472 sq ft) of Sg Wang Plaza (owned by Landmarks Berhad) was transacted at RM284.8 million (@RM601 per sq ft).

• Hospitality

Two new hotels entered the market in 2006 introducing two international hotel operators; the Traders and Novotel through Traders Hotel and Novotel Majestic Hydro Hotel, bringing the total number of 3-5 star hotel rooms in Klang Valley up to 31,500 (69% of which is located in Kuala Lumpur). Hotel occupancy rates in Klang Valley hovered at about 67% whilst the average room rates (ARR) was RM266, RM164 and RM97 respectively for 5, 4 and 3 star establishments.

New hotels to enter the market over the next few years include

- The **One-World at Bandar Utama** with 438 rooms by See Hoy Chan group
- The **Conlay Plaza Hotel** with 285 rooms by Irat Holdings

Kuala Lumpur & Selangor (incl. Putrajaya / Cyberjaya)

To remain competitive, the more established hotels underwent refurbishment and rebranding as follows:

- The Pan Pacific Hotel KL embarked on rebranding and renamed Seri Pacific Hotel under new management
- The Regent Kuala Lumpur announced a RM92 million renovation to the establishment initially built in 1989
- Concorde Hotel KL also announced a RM40 million refurbishment
- Hotel Istana has been rebranded to a business class hotel on completion of a RM25 million renovation.

It was a record breaking year for the hospitality industry with the sale of seven hotel establishments during the year led by the sale of The Westin Kuala Lumpur at RM455 million (@RM1.006 million per room) by Ireka Corporation Berhad to Newwood Assets Ltd. **WTW brokered this transaction.**

Other hotel/hospitality transactions include:

- Regency Tower for RM62.5 million (RM822,368 per room)
- Hotel Grand Centrepont for RM12.5 million (@RM125,000 per room)
- Novotel Hydro Majestic Hotel for RM130 million (@RM451,389 per room)
- Crown Princess Hotel for RM240 million (@RM420,315 per room)
- SuCasa Serviced Apartments for RM53 million (@RM294,444 per room)
- Sheraton Subang Hotel & Tower for RM140 million (@RM278,884 per room)

• Industrial

The performance of the industrial sector was encouraging particularly at the specific industrial locations namely Glenmarie, Section 51A Petaling Jaya, Shah Alam, Bukit Raja, Rawang, Balakong, Sg Besi and Klang. Logistics & distribution hubs have been particularly active due to the excellent network of roads and highways in Shah Alam and Klang where international operators have established significant centres.

Selected industrial transactions recorded in 2006 include:

- The RM214.1 million Sale & Leaseback of eight industrial properties undertaken by CIMB-Mapletree and Mapletree Logistics Trust for premises located at the Technology Park Malaysia (TPM Bukit Jalil), Puchong, Shah Alam and Subang.
- The disposal of a 12.73 acre site in Hicom Section 26 Shah Alam by EON Properties Sdn Bhd at RM27.8 million. The premises includes four blocks of single storey factory buildings and a 2-storey office building.
- The sale by Cycle & Carriage Bintang Berhad to Axis REIT of a 4.93 acre site at Section 51A Petaling Jaya. The site includes building improvements.
- The RM15.1 million sale of industrial premises known as Kompleks Penchala at Section 51 Industrial Estate. The complex comprises a 4-storey office/warehouse with 135 car parking bays.
- Tan Chong & Sons Motor Co Sdn Bhd acquired industrial premises for RM14.2 million at Jalan Kemajuan, Petaling Jaya comprising a showroom, workshop, warehouse and office building.

2007 MARKET OUTLOOK

Interest shown by institutional investors / property funds, both local and foreign, in investment properties will provide the impetus for the property sector particularly in Klang Valley as quality investment properties are made available through REITs.

The residential sector, the mainstay of the property market, that has predominantly been focusing on "pocket development" of niche high-end projects in Klang Valley, will continue to perform well in 2007. Notwithstanding mass housing in very selective and established locations would continue to shine regardless of overall economic concerns.

The Visit Malaysia Year 2007 is expected to augur well for the hospitality industry with increasing tourism activities.

More favourable changes to the Guidelines on Real Estate Investment Trusts issued by the Securities Commission of Malaysia in 2006 plus the tax incentives tabled in the Malaysia Budget 2007 will witness the emergence of Real Estate Investment Trusts (REITs) as a viable and attractive alternative investment vehicle for income producing real estate and hence the healthy demand for investment grade properties is expected to continue into 2007.

Kedah

PROPERTY MILESTONES AND KEY PROPERTY PLAYERS IN 2006

Growing foreign interest in Kedah through the industrial sector dominated much of the property headlines in 2006. Interest continued to grow in Kulim Hi-Tech Park.

- Fuji Electric (M) Sdn Bhd indicated further confidence in the state by re-investing an additional RM3.8 billion in its existing magnetic disk plant which commenced operations in 1998.
- US-based wafer fabrication firms announced potential entry into the market. Kulim Hi-Tech Park is already home to two wafer fabrication firms; Silterra (M) Sdn Bhd and Infineon Technologies (Kulim) Sdn Bhd with combined investments of RM10 billion.
- Frontken Corporation Berhad, a thermal spray coating facility, announced its intention to build its RM25 million initial phase of its fourth plant in Malaysia. The 2.7 hectare site identified at Kulim Hi-Tech Park will

complement the existing facility in Bukit Mertajam, Penang.

- Air Kedah Sdn Bhd, a subsidiary of Tailworks Corporation Berhad was awarded a RM149 million contract by the Kedah State Government for three packages of the Padang Terap water supply project
- Early in 2006, Kedah State Government announced that it is drawing up a comprehensive plan on its first Autocity in Gurun.
- DXN Holdings Berhad entered into a joint-venture agreement with Yayasan Islam Negeri Kedah (YIKED) to develop a 120 hectare site in Tandop, Alor Star. The first phase of this Stargate project will comprise a hypermarket, 88 units 3-storey shopoffices, 80 units 2-storey shopoffices.

2006 MARKET ACTIVITY

Whilst the industrial sector made significant headway in Kedah, it was the residential sector that led the property market in the state. This has been attributed to the improving road connectivity that allows daily commuting between Butterworth and Kulim/Sg Petani as the residential units are more affordable in the state. Taman Selayang in Alor Star and Sg Petani and Jitra have been identified as prime locations in the state in 2006.

- Paramount Corporation Berhad, developer of the 493-acre award winning Bandar Laguna Merbok in Sg Petani is increasing its landbank in Kedah and has accepted an offer to purchase a 580-acre parcel in Sg Petani for RM39.19 million (@RM1.55 per sq ft) located 3 km from Bandar Laguna Merbok.
- A detached factory in Kawasan Perusahaan Bakar Arang in Sg Petani was sold to G-Mark Garment Factory Sdn Bhd for RM1.41 million; whilst a 1.2 acre industrial

parcel was transacted at RM1.95 million (@RM37.30 per sq ft) in Kawasan Perusahaan Mergong in Alor Star.

- Holiday Villa Telok Baru at Pantai Cenang in Langkawi was transacted at RM55 milion. Amanah Raya Berhad purchased the 258-room establishment from Langkawi Holiday Villa Sdn Bhd.
- It has been reported that Naluri Corporation Berhad proposed to acquire three parcels of development land together with a golf & country club for RM27.481 million
- Shaw & Sons sold a cinema premises in Sg Petani for RM1.88 million to Limsa Development Sdn Bhd

2007 MARKET OUTLOOK

Whilst the general state of the property market is expected to remain stable in 2007, the residential sector is expected to show positive promise predominantly due to

the spill-over effect it has been enjoying from Penang. The growing demand for labour at manufacturing plants will also attribute to the demand for housing in Kedah.

PROPERTY MILESTONES AND KEY PROPERTY PLAYERS IN 2006

A generally upbeat mood for Penang in 2006 with infrastructure projects taking the lead. The major projects include:

- The RM1.2 billion monorail route proposed for the monorail system include the 18 kilometre stretch from Penang International Airport to the ferry terminal, the 11 kilometre stretch from the ferry terminal to Paya Terubong; and the 9.5 kilometre stretch from Komtar to Tanjung Tokong.
- The RM700 million 19-kilometre Butterworth Outer Ring Road (BORR) which includes the 1.85 kilometre Prai Bridge will be open to traffic in the first quarter of 2007 connecting Jalan Baru to Bagan Ajam before ending in Sg Dua. It also connects the North-South Expressway and the Butterworth-Kulim Expressway

- The RM2.8 billion 26 kilometre 2nd Penang Bridge from Batu Maung to Batu Kawan is expected to be completed by end 2010. The concession to build-manage-operate has been awarded to the UEM Group.
- The 1.6 kilometre 2nd phase of the Jelutong Expressway linking Gat Lebu Macallum to Jalan Sg Pinang was opened to traffic in 2006.
- A new RM1.2 billion integrated automotive township and plant is planned for Kepala Batas to accommodate Naza's new plant. A 103 hectare site has been identified for this purpose.

2006 MARKET ACTIVITY

The proposed 2nd Penang Bridge, monorail and other infrastructure projects under the 9th Malaysia Plan (9MP) has to a certain extent created some excitement to the property market, both on the island and on the mainland. The infrastructure projects are expected to attract more investors into the state.

Developers have been sourcing for major landbanks and the most active locations include Seberang Prai Tengah and Selatan on the mainland and the south and south-eastern portions of the island - the identified active locations are due to the availability of sizeable parcels of development land suitable for major developments. On the island the most active locations in 2006 include Jelutong, Sg Nibong, Bayan Baru, Batu Maung, Teluk Kumbar and Gertak Sanggul.

More high-end residential projects have been launched that include super condominiums, gated enclaves of semi-detached and detached houses, townhouses and villas.

- **S P Setia** acquired the 112.6 acre Pearl Island Country Club in Sg Ara in 2005 for RM144.3 million for the purposes of a residential project - Setia Pearl Island.

- **PPB Hartabina Sdn Bhd** entered the Penang market with the following projects:
 - Tanah Aman in Bukit Mertajam - a 30-acre integrated country living project with 48 units of 2½-storey bungalows priced from RM1.2 million and 24 units of 2-storey semi-detached units priced from RM780,000
 - Restoration of shophouses built in 1903 along Church Street to be known as Whiteaways Arcade. It will be converted into retail lots and kiosks and leased at RM5 to RM9 per sq ft.
 - RM18 million redevelopment of New World Park, a 2.02 hectare site on Lorong Swatow, Georgetown into F&B outlets leased at RM5 to RM10 per sq ft.
- **Plenitude Berhad** made its debut into Penang market with the proposal to buy three parcels of land in Batu Ferringhi for approximately RM26 million (RM56 per sq ft). The 463,217 sq ft site was sold by La Mer Ferringhi Sdn Bhd.
- **DHL** opened a new RM6 million 31,000 sq ft service centre and distribution hub on the island
- **Sri Tanjung Pinang** in Tanjung Tokong was launched in February 2006. The 980-acre seafront development will be developed by **E&O and UEM** Group. The inaugural launch was the Ariza Courtyard terraced houses with built-up areas of 3,400 sq ft and selling from RM755,000.

- **AP Land Berhad** entered into a joint-venture with **IJM Properties Sdn Bhd** to build a RM210 million township in Batu Ferringhi (part of the existing Mt Pleasure Resort). The project comprises condominiums, apartments, townhouses, villas, bungalows and commercial units to be built over the next 7 years.
- **MBSB** has entered into an agreement to dispose seven lots of development land in Teluk Kumbar at a sale consideration of RM12.5 million (@RM12.40 per sq ft)

Retail

- Queensbay Mall - The revival of the abandoned project previously known as Bayan Bay Mall is part of the RM1.5 billion 29.2 hectare waterfront project by CP Landmark Sdn Bhd facing Pulau Jerejak. The Mall (1 million sq ft NLA) offers 500 retail outlets and junior anchor tenants with Jaya Jusco as the main anchor tenant. The project will also include a 400-room 5-star hotel, a 300-room 3-star hotel, and other property components.
- The RM250 million D'Piazza Mall was launched in Bayan Baru. 90 units of 3-storey shops is offered priced from RM860,000 developed by X-Scan Penang Sdn Bhd.
- Retailer, Jaya Jusco also entered the Seberang Perai market at Central Mall Bandar Perda.
- Gurney Plaza is up for a RM60 million expansion programme to increase NLA. Plans for the project are in the process of being approved by the local authority. The expansion will be built on a site next to Gurney Plaza.
- Cold Storage opened its 2nd outlet in Penang occupying 24,000 sq ft at Island Plaza in Tanjung Tokong.

Hospitality

- Ferringhi Beach Hotel was sold for RM43 million. AP Land Berhad disposed its 350-room hotel (@RM122,857 per room). The 25 year old establishment will reopen as Hydro Majestic Hotel Penang.
- Shangri-La Penang was renamed Traders Hotel Penang following the rebranding exercise.
- Shangri-La's Rasa Sayang Resort & Spa was re-opened in October following a RM100 million facelift. The hotel was opened in 1973 and was closed for 21 months for renovations reducing the number of rooms from 514 to 304 rooms. Rack rates are from RM750 per night.
- Boustead Holdings announced its proposal to build and manage its 1st hotel establishment in Penang. A 286-room 4-star Royale Bintang Hotel is proposed for Weld Quay on a 0.486 hectare site.
- Grand Paradise Penang Hotel at Jalan Macalister was transacted at RM12 million (RM125,000 per room). It is a 96-room business class hotel.
- Casuarina Hotel in Batu Ferringhi is to be rebranded as Hard Rock before reopening in 2008.
- G Hotel & Residences along Persiaran Gurney was opened in December 2006.

Office

- The 21-storey Menara UMNO on Jalan Macalister was transacted at RM18 million and was purchased by JKP Sdn Bhd with a NLA of 71,55 sq ft (@RM252 per sq ft).
- Boustead Holdings Berhad purchased the 21-storey Menara PSCI along Jalan Ahmad Shah for RM54 million.
- Wisma John Hancock/Wisma British American in Green Hall was sold at RM4.4 million (@RM115 per sq ft).

2007 MARKET OUTLOOK

The upbeat mood that was felt throughout 2006 in the way of benefits by infrastructure developments is expected to continue in 2007. On the island, the residential sector is expected to show promise with a good and varied choice of developments whilst the commercial and industrial sectors remain stable.

On the island as on the mainland, the stability of the industrial sector is mainly recognised due to reinvestment from existing industrialists who intend to enhance the existing operations rather than purchases to set up new establishments.

PROPERTY MILESTONES AND KEY PROPERTY PLAYERS IN 2006

There has been growing interest by key property players from Klang Valley in the Perak property market in 2006.

- MK Land Berhad has reportedly purchased a 40.8 hectare parcel of land in Meru, Ipoh. MK Land also launched Apartment Suria @ Bandar Peranginan Bukit Merah, a 384 room hotel.
- Rapid Synergy Berhad purchased two parcels of land in Manjung from YNH Property Berhad for RM10 million (@RM20 per sq ft).

- Carotech Berhad purchased four plots of land in Lumut. The 32.09 acre site in Lumut Port Industrial Park was transacted at RM9.79 million (@RM7 per sq ft) and acquired to establish a new CPO facility processing plant.
- It was reported that Limahsoon Berhad plan to invest RM10 million in the state to set up a plant to produce charcoal and biofuel.

2006 MARKET ACTIVITY

A generally stable property market in Perak for 2006 where the higher end residential market in choice locations continued to take the lead. The most active locations identified in 2006 include Kinta Valley, Sitiawan, Taiping, Kampar, Teluk Intan, Tanjong Malim and Northern Perak.

The Kinta City (Jusco) Shopping Centre was reported sold for a RM12 million consideration on Sale & Leaseback terms.

2007 MARKET OUTLOOK

With better commodity prices expected in 2007, the agricultural sector is expected to show positive promise whilst all other markets remain stable. Teluk Intan, Sitiawan and Taiping will enjoy greater benefits once the Coastal Highway is completed.

Negeri Sembilan

PROPERTY MILESTONES AND KEY PROPERTY PLAYERS IN 2006

The traffic congestion in Seremban is expected to be alleviated with major roadwork proposals whilst a Medical City in Labu will improve infrastructure in the state :

- Traffic congestion heading south towards Senawang will be alleviated with the widening of Jalan Tampin near Seremban Forest Heights
- Traffic in the Rahang commercial area will improve with the completion of the Middle Ring Road from Lake Gardens to Jalan Kuala Pilah and thereafter connecting to Jalan Tuanku Antah.

- An alternative road to Port Dickson has been proposed from Jalan Pantai to Pasir Panjang
- In 2008, an alternative RM135 million 6.9 kilometre road from Seremban to Kuala Pilah will be completed. The bypass is from Senawang to Ulu Bendul through Berembun Forest Reserve
- The developer of the 5,116 acre @enstek development, TH Properties Sdn Bhd, in Labu has signed a MoU to set up a Medical City@enstek

2006 MARKET ACTIVITY

With early indications of declining volume of transactions in the state in 2006, the property market has been relatively quiet albeit the agricultural sector is identified as the most active due to the prevailing attractive commodity prices.

Seremban District has been identified as the most active location. Prominent developments which were seen to be active are those within the Seremban town locality which include Bandar Seremban 2, Seremban 2 Heights and

Taman Bukit Galena, Sikamat area where Pulau @ Seremban and Taman Sri Pulau 3 developments are located and around Senawang area close to Seremban Commercial Park and in Taman Bandar Senawang. Also active are those within township developments at @enstek, Kota Seriemas, Nilai Impian and Bandar Putra Nilai as well as Mantin areas.

2007 MARKET OUTLOOK

With better commodity prices expected in 2007, the agricultural sector is expected to show positive promise whilst the residential market will remain stable. However the industrial, retail and office sectors are not expected to improve should the economy and investments continue to be poor in 2007.

Malacca

PROPERTY MILESTONES AND KEY PROPERTY PLAYERS IN 2006

With a few new players from Klang Valley entering the Melaka market, and the revival of some abandoned industrial projects in 2006, the year commenced promising but softened towards the end of the year.

- Glomac Berhad made its inaugural presence in the Malacca property market with 124 units of 2-storey terraced houses in a joint-venture project with Jaymuda Group at Taman Kota Laksamana.
- Country Heights Holdings Berhad announced its proposal to launch a residential resort development on a 62 acre site in Durian Tunggal targeted mainly for the "Malaysia My Second Home Ownership" scheme.

- The Value Hospitality Group took over management operations of the 450-room Riviera Bay Resort at Tanjung Kling.
- Bertam Estate with a land area of 925 hectares was sold by Kumpulan Guthrie to IOI Group for RM91.34 million (@RM40,000 per acre).
- The sale of the Ambassador Hotel in Melaka Raya was recorded at RM11 million in July 2006.
- Residential and retail areas from Jalan Tun Abdul Razak through Melaka Sentral to Jalan Tun Fatimah has seen some excitement with the opening of the road linking the areas.

2006 MARKET ACTIVITY

With clear signs of a softening market towards the second half of 2006, the residential sector still dominated the property market. There has also been a marked improved occupancy for shophouses in Melaka Raya, Bacang and Malim.

Semabuk, Ujong Pasir, Bukit Beruang and Cheng-Bertam have been identified as the most active locations in 2006.

The announcement of the revival of Taman Perindustrian

Ayer Keroh as well as the relaunch of Rembia Industrial Estate (previously known as Zarina Industrial Estate) has provided the industrial market with momentum for improvement.

Dataran Pahlawan Melaka Megamall was opened in September with anchor tenant, Carrefour, expected to open in 2007. The mall is built on a 19 acre site at Jalan Merdeka with a NLA of 350,000 sq ft and with rentals ranging from RM8-RM22 per sq ft.



New development in Bukit Beruang



Dataran Pahlawan Melaka Megamall

2007 MARKET OUTLOOK

The overall property market is expected to remain mixed with major activities still concentrated in the residential sub-sector while prices of retail, industrial and resort/tourism related properties are expected to ease further in 2007. With the expected new entry of an additional 2,000 hotel

rooms (provided upon the completion of The Holiday Inn, the revived Ambassador Hotel and another two new hotels in Banda Hilir during 2007/2008) there will be expected further pressure to the occupancy rate which was recorded at 62% in 2006.

PROPERTY MILESTONES AND KEY PROPERTY PLAYERS IN 2006

With national controversy over the new bridge in 2006, other state headlines included the Khazanah Nasional Berhad take-over of the 4,500 acre Bandar Nusajaya; and the announcement of the 2,217 sq km South Johor Economic Region (officially known as Iskandar Development Region)

- The mammoth South Johor Economic Region (SJER) was launched in November and was officially named as Iskandar Development Region. A total of RM5 billion has been allocated for infrastructure under the 9th Malaysia Plan (9MP) which will include the 2nd Permas Bridge, 11 km of coastal road from Danga Bay to Nusajaya and 11 km of coastal road from Permas to Pasir Gudang. The 2,217 sq km area encompasses Senai to the north, Pasir Gudang to the east and Tg Pelepas/Gelang Patah to the west. The masterplan, called the Comprehensive Development Plan (CDP), was prepared by Khazanah Nasional Bhd. There are five flagship zones known as JB City Centre, Nusajaya, Western Gate, Eastern Gate and Senai-Skudai. These zones are proposed to be the main points of development in the IDR.
- UEM Land Sdn Bhd (subsidiary of UEM World Berhad) will sell 4,500 acres in Bandar Nusajaya to Khazanah Nasional Berhad.
- Kulim (M) Berhad invested in land for a bio-diesel project in Tg Langsat. The 50 acre industrial land site was purchased for RM26.23 million (@RM12 per sq ft)
- Formis (M) Berhad purchased Holiday Plaza shopping complex for RM159 million which includes 181,544 sq ft of retail space and 96,937 sq ft of office space.



Holiday Plaza, Johor Bahru transacted at RM159 million

- RB Land Holdings entered the Johor market in 2006 with the purchase of 127 acres in Taman Perling in its efforts to diversify geographically
- IJM Properties Berhad purchased a 250 acre site in Tebrau for RM75 million (@RM6.90 per sq ft) to develop a mixed development
- With the opening of Menara Cyberport, the first cyberport in Johor with MSC (Multimedia Super Corridor) status was inaugurated with 26 local and foreign companies commencing operations.
- The RM1.3 billion 12.5 km Johor Bahru Monorail line is expected to be completed in 2009. Jalur Mudra Sdn Bhd will build and operate the line along Jalan Tebrau.
- The first International Convention & Exhibition Centre was opened in Johor in October. The RM100 million project was undertaken by Johor Corporation.
- Work has commenced on the RM174.2 million Perling-Pasir Gudang Interchange which is due for completion in 2008.
- Seagate Technologies Inc announced intentions to invest RM1 billion in a manufacturing plant in Kulai and to commence operations in 2008.
- Caratino Sdn Bhd announced plans to invest RM100 million as part of its 2nd bio-diesel plan to be located adjacent to its existing facility in Pasir Gudang.
- A new RM2.64 billion holiday resort has been announced for Desaru in a joint venture effort by the state Government of Johor and will be built in tandem with the RM1.48 billion Senai-Desaru Expressway.
- IOI Corporation Berhad entered into a conditional share purchase agreement to acquire the entire equity interest of Pan Century Edible Oils Sdn Bhd and Pan Century Oleochemicals Sdn Bhd for RM423 million. Pan Century owns one of the largest oil refinery and oleochemicals complex in the world, located in Pasir Gudang.

Johor

- In Batu Pahat and Muar:
 - Damansara Realty Berhad together with Syarikat Perumahan Negara Berhad are to develop a 235 acre site in Sri Gading
 - The RM68 million 12 hectare Muar Waterfront facelift to be known as Maharani Ayu, developed by Pulai Springs Resort Berhad will comprise 152 cluster homes, 20 bungalows and 37 shops.
 - Carrefour opened its 2nd outlet in the state in Batu Pahat
- In Segamat, The Ayer Molek Rubber Company Berhad disposed of 711 acres of agricultural land for RM12.1 million (@RM17,000 per acre)
- The Muar Trade Centre was opened, turning the abandoned 12-storey Bangunan UMNO Pagoh into a hotel to be known as Muar Traders Hotel Commercial Centre

2006 MARKET ACTIVITY

As the Iskandar Development Region remained as the national topic for most part of 2006, the property market in Johor remained predominantly stable as investors paused to ascertain the market with prudence. This follows the Prime Minister's announcement to freeze Sale & Purchase of land within SJER. Notwithstanding, transactions prior to the announcement was active.

In the south of the state, Tebrau, Skudai and Nusajaya were identified as active locations whilst a new focal point of retail activities has emerged in Batu Pahat along the commercial corridor of Jalan Tan Swee Hoe. Similarly in Muar, Jalan Maharani commercial strip was activated following the opening of the new bus & taxi terminal.

2007 MARKET OUTLOOK

The Iskandar Development Region (IDR) is expected to augur well for the state in general as investors have been holding off for most part of 2006 in anticipation of Government legislation on investments within the SJER. With high expectations for the success of the IDR, it is the commencement of proposed infrastructure work that is expected to create confidence in the market and open up new growth areas which will lead to better property values and better distribution of landuse. The direct benefactor of these initiatives will be the Iskandar Waterfront Project stretching from Johor Bahru towards the Second Link creating a "new growth corridor" from Johor Bahru.

The IDR is also expected to create new opportunities for the industrial sector through expansion of existing facilities and new industrial investments into the state.

The initiatives planned through committed funds under the 9th Malaysia Plan through the IDR will undeniably prepare the state for positive growth.

In Batu Pahat, the spin-off effects of the recent opening of Carrefour is expected to provide impetus for additional retail activity with close proximity to Taman Flora Utama, Taman Setia Jaya, Taman Maju and Taman Sri Jaya.

PROPERTY MILESTONES AND KEY PROPERTY PLAYERS IN 2006

The launch of Putra Square Kuantan was the single biggest highlight of the property sector in 2006. Notwithstanding, the industrial sector also received considerable investment. Other key milestones include:

- Upgrading of the Kuantan Bypass is expected to be completed in 2008
- The upgrading of the Kuantan-Tg Lumpur-Pekan Road commenced in 2006
- Putra Square Kuantan was launched in August 2006. The RM400 million centre is expected to be completed in six years and is located on a 15 hectare site belonging to Pasdec Holdings Berhad.

The main components of the development include a 350-room hotel & convention centre, a 21-storey MSC office tower, a 4-storey shopping mall and 232 units of 3-storey shopoffices.

- Daimler Chrysler (M) Sdn Bhd announced its plan to invest RM 35 million for a production facility in Pekan
- BASF & Toray industries opened its RM146 million facility in Kuantan for plastic production
- In a joint-venture, AMDB Berhad and the Pahang state government will develop two mini-hydro projects at Sg Perting in Bentong and Sg Liang in Raub.

2006 MARKET ACTIVITY

The Pahang property market was viewed positively by investors with the residential sector being the most active. Within the state, Kuantan district was the most active.

Whilst the launch of Putra Square Kuantan created excitement in the retail sector, Alamoda (garment retail chain), Kamdar Kuantan and Wisma Elken (direct selling company) made its debut in 2006.

2007 MARKET OUTLOOK

The hospitality sector is expected to augur well into 2007 due to the national Visit Malaysia Year 2007 campaign whilst the residential, agricultural and industrial sectors are expected to remain stable.

Kelantan

PROPERTY MILESTONES AND KEY PROPERTY PLAYERS IN 2006

- Kelantan state government entered into a joint-venture to develop and manage 221 condotel units at Jalan Hamzah in Kota Bharu.
- Under the 9th Malaysia Plan, the budget allocated for the state has now been increased from RM3.5 billion to RM6.7 billion.
- A mega RM1 billion project has been proposed for a 200 acre site in Kuala Besar by Petra Holdings Sdn Bhd. The development will comprise residential, hotel and commercial components.

2006 MARKET ACTIVITY

A generally stable property market was recorded in 2006 as the residential and commercial (shophouse) sectors remained the most active. The most active location has been identified within a 10 kilometre radius of Kota Bharu town which includes Jalan Pengkalan Chepa, Jalan Sultanah Zainab and Jalan Post Office Lama.

During the year, EONcap Islamic Bank Berhad relocated from Jalan Parit to Jalan Padang Garong on

a 15 year lease whilst MBf Technology Sdn Bhd entered into a Sale & Purchase Agreement for a 4-storey shophouse at Jalan Sultan Ibrahim at RM1.4 million.

Majlis Perbandaran Kota Bharu and Bandar Raya Islam (MPKB and BRI) entered into a joint-venture to develop Pasar Awam Bersepadu Wakaf Che Yeh comprising 26 units of 3-storey shophouses priced from RM750,000 to RM1.25 million .

2007 MARKET OUTLOOK

As the residential sector continues to show favourable demand, it is expected that development land will similarly be in demand particularly within close proximity to Kota Bharu town.

The completion of the Pelangi Mall and other shopoffices in Kota Bharu is expected to adversely affect rentals in 2007 for the commercial sector.

The previous deteriorating performance of factory premises at Pengkalan Chepa is expected to turn around with positive expectations as tenants/occupiers expect to sustain their businesses in year 2007.

PROPERTY MILESTONES AND KEY PROPERTY PLAYERS IN 2006

- ExxonMobil announced its plans to build a RM1 billion gas platform at the Guntong Centre
- India-based Infosys Technologies Ltd and Japan's Marubeni Corporation announced plans to invest and set-up a regional outsourcing hub at the Knowledge Park in Besut.
- The ongoing development of Universiti Darul Iman (UDI) at Tembila Besut is expected to auger well for land prices and demand for development land in the area.

2006 MARKET ACTIVITY

A generally stable property market recorded in 2006 as the residential and commercial (shophouse) sectors remained the most active compared to the previous year. The most active location has been identified within a 10 kilometre radius of Kuala Terengganu town which includes Kuala Nerus, Batu Buruk and Bukit Besar.

2007 MARKET OUTLOOK

As the residential sector continues to show favourable demand, it is expected that development land will similarly be in demand particularly within close proximity to Kuala Terengganu town.

Foreign investment into the state in terms of the industrial sector in 2006 is expected to continue into 2007.

PROPERTY MILESTONES AND KEY PROPERTY PLAYERS IN 2006

The Sabah retail sector witnessed significant additions in 2006, which included the completions in Kota Kinabalu and Sandakan namely Warisan Square, Kompleks Asia City and Alamesra commercial developments in Kota Kinabalu, amongst others, and the new Central Market and part of Phase 1 shopoffices at the Sandakan Harbour Square.

Key property players in 2006 include:

- Asian Pac Holdings Berhad's acquisition of a 6.54 acre site in Karamunsing from Tradewinds Corporation Berhad for RM16.3 million (@RM57 per sq ft) for the Karamunsing Capital commercial development .
- Shell Malaysia, Petronas Carigali and Conoco Philips made a fourth oil discovery in the northwest shores of Sabah at Pisagan.
- AMDB Power Sdn Bhd is in a joint-venture to build-and-operate a RM50 million 6MW hydro power generating plant at Sg Mokodou, Ranau.
- POIC (Palm Oil Industrial Cluster) Sabah Sdn Bhd to undertake the development of a 5,000 acre palm oil industrial cluster in Lahad Datu whilst Kumpulan Sawit Kinabalu Berhad is undertaking the development of an additional 2,800 acre palm oil industrial cluster in Sandakan. The POIC site in Lahad Datu is planned to be Malaysia's 3rd port of palm oil futures after Port Klang and Pasir Gudang.
- Klang-based WCT Land Berhad acquired a 21.5 acre site at Sutera Harbour from Actaland Sdn Bhd for RM57 million (@RM61 per sq ft) for an exclusive residential development.
- The KKIA (Kota Kinabalu International Airport) Terminal 2 cum LCCT (Low Cost Carrier Terminal) was officially opened in February 2007 by the Prime Minister. It commenced operations in January 2007.
- Yu Wang Plantation Group acquired 10,768 acres of oil palm land for RM120 million located at Brantian, Tingkayu and Ulu Tingkayu, Kunak/Lahad Datu District.
- Borneo Murni acquired 3,000 acres of aquaculture/Agriculture land for RM10.075 million at Umas-umas locality, some 45 kilometres from Tawau town.

2006 MARKET ACTIVITY

The Sabah property market remained stable throughout 2006 led generally by the agricultural sector due to favourable CPO (Crude Palm Oil) and FFB (Fresh Fruit Bunch) prices and bullishness in the tourism sector. In Kota Kinabalu, the retail sector witnessed the opening of several new centres in 2006, and with more in the pipeline, there is cause for concern .

The most active locations that have been identified include the northern stretch of Kota Kinabalu from Sulaman to Sepanggar; Beluran and Kinabatangan in Sandakan; Semporna and Kalabakan in Tawau; POIC site in Lahad Datu; and Kiansam and Ranche-Ranche in Labuan.

With the opening of Terminal 2 at KKIA (Kota Kinabalu International Airport), the air traffic congestion into Sabah has been alleviated. The hospitality industry has taken advantage of this infrastructure improvement and proceeded with new launches:

- Nexus Residence Karambunai - Nexus Bay Resort Sdn Bhd launched a beachfront resort comprising 48 landed pool villas and 163 spa villa condominiums in Karambunai, Tuaran.
- The opening of King Park Hotel (104 rooms), Heritage Hotel (80 rooms) and Kingston Hotel (80 rooms) in Tawau.
- To cope with the increasing demand in Kota Kinabalu, the following establishments were launched, King Park Hotel, Mercure Waterfront Hotel and Radius International Waterfront Hotel.

2007 MARKET OUTLOOK

The agricultural sector will drive the Sabah property market in 2007 due to favourable commodity prices. Using palm oil as feedstock for biodiesel will have a significant effect on the oil palm industry.

Following the opening of KKIA Terminal 2, the hospitality sector is expected to augur well in 2007. The opening of a significant number of retail centres in Kota Kinabalu will also create the opportunity for more domestic tourism into Kota Kinabalu.

The retail sector in Kota Kinabalu will be moving with apprehension as more on-going projects are due for completion; 1 Borneo Hypermall and City Mall, to name a few.

In Labuan, the growth of the oil & gas industry coupled with the proposal of a petro-chemical hub on the island, augurs well for the industrial sector.

2006 MARKET ACTIVITY

The general slow down of the property market in Sarawak since 2005 continued to be felt in 2006. Property sales have slowed down significantly despite additional perks thrown in by developers such as price discounts, packages and other added benefits. Although prices in prime areas remain competitive, general house prices especially those in secondary locations, can be said to have dropped slightly, as reflected in lower re-launch prices, discounts, packages etc. House buying demand has been dampened by higher cost of living due to inflationary pressures and the increase in end-financing costs for prospective buyers.

The property market in Sarawak is at the moment a buyers' market dictated very much by location and developers' reputation.

Residential sector

In 2006, there were fewer new housing schemes launched. Those that were launched were mostly part of a larger housing scheme, e.g. Desa Senadin, Bandar Baru Permyjaya and Taman Tunku in Miri; Sibu Jaya in Sibu; Desa Ilmu and The Riveria in Samarahan; and Bandar Baru Samariang in Kuching. Scarcity of land in the urban conurbations of Kuching and Miri has pushed development towards the fringe into the Samarahan area for the former and to the outer areas such as Luak-Bakam, Lutong-Baram and Tudan for the latter.

Terraced houses continue to dominate this property market sub-sector. Increased activity in high end houses is noted in Miri especially in the Luak-Bakam area.

There have been more re-launches than new launches, conducted by way of individual advertisements, building exhibitions, through the SHEDA housing gallery or in conjunction with other trade exhibitions.

Housing units in those projects surveyed by WTWY are shown in Table 1 below.

Table 1 New housing units 2006 (as at 30-9-2006)

Region	Type	Units completed	Units Under Construction	Units Launched 2006	Units construction Started 2006
Kuching	1-st terraced	1194 (983)	782 (1416)	821 (1185)	234 (1072)
	2-st terraced	725 (1534)	1500 (1731)	769 (1481)	564 (1520)
	1-st semi-det	140 (273)	218 (252)	72 (238)	56 (234)
	2-st semi-det	178 (803)	455 (515)	174 (412)	140 (384)
	2-st quadruplex	0	504 (504)	0	0
Samarahan	1-st terraced	835 (1449)	936 (1653)	151 (817)	118 (787)
	2-st terraced	290 (270)	658 (822)	209 (395)	134 (348)
	1-st semi-det	133 (206)	98 (213)	24 (137)	18 (133)
	2-st semi-det	18 (32)	74 (80)	52 (72)	12 (82)
Sibu	1-st terraced	109 (184)	468 (291)	836 (585)	186 (244)
	2-st terraced	620 (600)	1769 (1544)	773 (1040)	562 (781)
	1-st semi-det	0 (0)	26 (4)	64 (8)	22 (4)
	2-st semi-det	101 (208)	571 (465)	176 (262)	116 (214)
Bintulu	1-st terraced	54 (193)	32 (48)	32 (0)	16 (0)
	2-st terraced	21 (719)	371 (155)	129 (152)	45 (97)
	1-st semi-det	0 (0)	0 (0)	0 (0)	0 (0)
	2-st semi-det	122 (99)	135 (191)	46 (70)	28 (12)
Miri	1-st terraced	1296 (978)	297 (632)	646 (216)	87 (208)
	2-st terraced	73 (158)	223 (216)	130 (321)	118 (202)
	SS semi-det	40 (41)	120 (124)	96 (156)	88 (124)
	2-st semi-det	45 (75)	398 (207)	98 (281)	81 (205)

* Figures in () denotes whole year figures for 2005

The selling prices for the 2006 launches are shown in Table 2 below

Table 2 Selling prices of houses launched in 2006 (RM)

Type	Kuching	Samarahan	Sibu	Bintulu	Miri
1-st terraced - Int.	85,000 - 218,000	115,000 - 170,000	From 135,000	70,000 - 95,000	80,000 - 138,000
1-st terraced - corner	169,000 - 278,000	125,000 - 222,000	From 170,000	78,000 - 185,000	112,000 - 175,000
2-st terraced - int.	195,000 - 350,000	208,000 - 280,000	225,000 - 275,000	208,000 - 238,000	183,000 - 298,000
2-st terraced - corner	242,000 - 488,400	193,000 - 331,000	275,000 - 350,000	240,000 - 350,000	208,000 - 398,000
1-st semi-det	186,800 - 278,000	225,000 - 275,000	From 245,000	230,000 - 236,000	162,000 - 310,000
1-st semi-det	280,000 - 780,000	322,888 - 380,000	330,000 - 450,000	330,000 - 520,000	328,000 - 468,000
Detached plot	200 - 519 psm	200 psm	N/A	200-380 psm	NA

Commercial/Retail sector

The absence of new retail complexes in recent years in Sarawak has been countered in 2006 with a few retail projects underway in the major towns in Sarawak especially Kuching which has 4 new shopping complexes under construction.

Table 3 Retail Complexes under construction in Sarawak, 2006

Town	Complex	No. of retail storeys	No. of retail units	Lettable Area (sm)	Expected Date of Completion
Kuching	The Spring	2½	approx. 150	40,000	Q4 2007
Kuching	Boulevard	5	88	37,000	Q4 2007
Kuching	Novotel	3	Na	12,648	Q1 2008
Sibu	Delta Shopping Centre	4	96	8827.7	Q4 2007
Sibu	Sing Kwong Shopping Centre	3	36	4,910	Q4 2006
Bintulu	ParkCity Mall	3	84	8,707.2	Q2 2007

Source : WTWY Research, 2006

New addition of retail and office space in 2006 are mostly found in 3-4 storey shop-offices/shophouses developed at suburban commercial centres or as part of housing schemes.

Table 4 Shop-offices/Shop-houses 2006

Region	Type	Units completed	Units Under Construction	Units Launched 2006	Units construction Started 2006
Kuching	1-storey shop	0 (0)	0 (0)	0	(0) 0
	2-storey shop	26 (67)	10 (12)	35 (25)	0 (25)
	3-storey shop	57 (122)	458 (338)	142 (483)	97 (240)
	4-storey shop	44 (106)	139 (149)	0 (109)	(0) 109
Samarahan	3-storey shop	18	31	0	0
	4-storey shop	0	10	20	0
Sibu	3-storey shop	17 (49)	70 (46)	78 (86)	41 (20)
	4-storey shop	44 (28)	54 (84)	20 (14)	7 (14)
Mukah	3-storey shop	27 (76)	30 (57)	0 (133)	0 (57)
Bintulu	3-storey shop	10 (167)	228 (165)	65 (69)	0 (69)
	4-storey shop	0 (8)	0 (0)	7 (0)	0 (0)
Miri	2-storey shop	38 (0)	73 (111)	0 (111)	0 (111)
	3-storey shop	72 (0)	95 (167)	0 (167)	0 (167)

A few purpose-built offices have also been added to the market in Kuching e.g. Wisma Hong Boon Siong and two office towers at the Travillon. However, the market for such purpose-built offices remain restricted.

Selling prices of shop-offices/shop-houses in 2006 in Kuching, Samarahan, Sibu, Bintulu and Miri are shown in Table 5 below.

Table 5 Selling prices of shop-offices/shop-houses 2006 (RM)

Region	2-storey int	2-storey corner	3-storey int	3-storey corner	4-storey int	4-storey corner
Kuching	440,000-890,000	490,000-570,000	680,000 - 1.688m	780,000 - 1.3m	-	-
Samarahan	-	-	-	-	858,000-1.588m	968,000-1.488m
Sibu	-	-	600,000 - 700,000	750,000	720,000-850,000	900,000-1m
Bintulu	-	-	630,000 - 758,000	840,000 - 1.2m	938,000	1.38m
Miri	-	-	328,000 - 440,000	444,888 - 520,000	From 725,000	From 1,038,888

Industrial sector

The semi-detached industrial units remained the most popular type of industrial development in Sarawak, with some detached plots.

Table 6 Semi-detached industrial units 2006

Type	Units completed	Units Under Construction	Units Launched
Kuching	128 (130)	20 (158)	120 (116)
Sibu	34 (150)	66 (60)	18 (64)
Bintulu	63 (0)	0 (24)	0 (0)
Miri	10 (8)	10 (20)	0 (103)

Sarawak

Table 7 Selling prices of semi-detached industrial units launched in 2006

Region	Land size (sm)	Built-up area (sm)	Selling prices (RM)
Kuching	680 - 1000	196.8	From 350,000
Sibu	From 690	223	From 450,000
Bintulu	599.4 - 739.12	192	400,000 - 460,000
Miri	380 - 630	163 - 496	From 198,000 / 398,000

In 2006, a few private industrial estates have been launched e.g. Sibiyu Industrial Estate in Bintulu and the SMI Industrial Park at Demak Laut, Kuching.

Hospitality sector

The tourism sector continued to recover from the jolts of the previous years but suffered another setback in the 2nd half of the year with the re-emergence of the haze.

RH's Everly Hotel in Sibu officially opened in September, 2006 and construction of the Novotel in Kuching undergoing good progress. The newly renovated Imperial Apartment & Suites in Miri was recently relaunched as a hotel and renamed Imperial Hotel.

Table 8 3-star and above hotels

Region	Existing hotels	(no./rooms)	Under Construction	(no./rooms)	Proposed	(no./rooms)
Kuching	15	2,950	1	388	1	315
Sibu	5	792	0	0	1	No Data
Bintulu	2	386	0	0	1	No Data
Miri	6 *	1,118	0	0	1	176

*Note : * 1 service apartment upgraded to hotel*

Agriculture sector

The State Government continues to encourage commercial agricultural development as more land is opened for large scale oil palm plantations on a joint-venture basis with NCR (Native Customary Rights) landowners.

Sales of raw land for oil palm plantation show prices ranging from RM2,500 to RM4,000 per hectare, depending upon the location, accessibility and topographical terrain.

Most pockets of agricultural land in and around the major towns are being held for possible conversion to residential and commercial developments in the future.

2007 MARKET OUTLOOK

The 2007 Sarawak property market is generally expected to slow down further. The continued inflationary pressures put by world economic imbalances and uncertainties will continue to stall demand for housing. The property take up rates are expected to be slower in 2007 compared to 2006.

The fear and threat of further increases in petrol prices and inflation rates, the global slow down in economic growth and the global trend of rising interest rates are expected to dampen the buying sentiment in the property market.

However, house prices are not expected to be reduced much by housing developers as the land and development costs continue to be high.

Demand for reasonably priced medium-cost housing is expected to remain strong in Kuching, Sibu, Bintulu and Miri.

C H Williams Talhar & Wong

Established in 1960, and with a network of 24 offices

C H Williams Talhar & Wong (WTW) is well positioned and competent to provide comprehensive and focused property services to national and international Clients

Our range of professional services encompasses :

VALUATION & ADVISORY SERVICES



AGENCY & TRANSACTIONAL SERVICES



MANAGEMENT SERVICES



Valuation of all real properties for wide-ranging purposes including :

- Initial Public Offerings (IPOs)
- take-overs, mergers & acquisitions (M&A), joint-ventures
- Local Authority rating valuations and Appeals
- credit security
- auction reserves and foreclosures
- real property gains tax (RPGT) assessment and Appeals
- submission to Securities Commission
- corporate accounting and asset review
- compulsory acquisition
- asset acquisition & disposal
- fire insurance
- capital allowances claims

Our valuation expertise and experience include appraisals of plantations, timber concessions, plant, machinery and equipments, *specialised properties* such as steel mills, mining land and quarries, and *properties valued on trading/business basis* such as private hospitals, hotels and resorts.

Market Research Studies to provide the basis for planning and development of townships, and town centre regeneration and redevelopment, distribution parks and industrial estates; for the design and development of retail centres, offices, hotels and resorts, leisure centres. WTW conducts

- Market Studies for general landuse planning and for specific development projects
- Marketability Studies and Feasibility Studies for specific projects

Consultancy in the management of property resources for purposes of securing the highest and best use of land through the best means. WTW offers:

- Advice on Development Options to render projects more feasible
- Development Strategic Options on specific development projects
- Land Use and Development Strategy on existing portfolio of real estate assets
- Advice in rationalising disposal or use of non-operational excess land or premises
- Advice in Development Funding Options, Sale and Leasebacks, and Joint Venture Arrangements

Estate Agency

Acting as agents to buy or rent, sell or let out residential , commercial & industrial units

Project Marketing

Acting as Marketing Agents to sell residential and commercial units in development schemes; to sell or lease out units in retail centre and office developments

Investments

Acting as Agents to acquire or dispose specialised properties and investment property assets and holdings.

Corporate Real Estate

Acting as Agents and Tenant Representatives to secure operational premises for Corporate Clients

As an extension of our Corporate Real Estate Services WTW provides supporting Facilities Management and Project Management Services.

Development Management

Further to our Consultancy Services, WTW provides Development Management services which include :

- Managing team of appointed consultants
- Liaising and intermediating with Land, Planning, Local & other relevant Authorities
- Monitoring progress of work
- Managing cost & quality
- Effecting efficient handover

Property Management

Managing individual, collective and portfolios of residential, retail and office units on behalf of Clients or Management Corporations. WTW undertakes, inter alia:

- Management of rental income and accounts
- Auditing & reviewing of cost of building operations
- Management of life-cycle of building and equipments and maintenance programme

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WTW successfully concluded the sale of
The Westin Kuala Lumpur
as reported on Page 3 of this Report



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