Available data on average occupancy rate for the past 4 years indicates as follows:

Starhill Shopping Centre

Historical and Current Occupancy Rates

Floor	Financial Year						As at Feb 2005
	2000	2001	2002	2003	2004 (including Tangs)	2004 (excluding Tangs)	
Lower Ground	100%	94%	94%	94%	91%	91%	100%
Ground	94%	94%	100%	98%	98%	90%	100%
Upper Ground	100%	97%	97%	100%	100%	100%	100%
First	92%	74%	71%	92%	69%	69%	100%
Second	99%	74%	68%	60%	45%	45%	100%
Third	80%	72%	66%	78%	69%	69%	100%
Fourth	15%	28%	98%	100%	98%	98%	100%
Annexe	100%	100%	100%	100%	100%	100%	100%
Tangs Dept Store	N/a	N/a	N/a	100%	0%	N/a	N/a
Bintang Steps	100%	92%	96%	91%	93%	93%	N/a
Storage	100%	100%	100%	86%	86%	86%	100%
Total	**76%**	**71%**	**88%**	**95%**	**49%**	**86%**	**100%**

(Source: YTL Land Sdn. Bhd.)

3.4 New Trends in Retail Accommodations

The retailing sector comprises a myriad of operating formats. According to the Malaysia Retailers Association (MRA), one of the major challenges in the Malaysian retail industry is the abundant supply of retail space. There are currently 20 shopping centres under construction, which will add a further 7,169,444 sq. ft. of retail space to the existing 32,165,253 sq. ft.

Over the past 10 years (1995 – 2005(e)), we noted that the retail stock has doubled up from 15.3 million sq. ft. in 1995 to a projected 32 million sq. ft. in 2005(e). Nevertheless, in terms of the segregation by location, the trend remains the same i.e. DA housing most of the retailers with some 59% of the total stock recorded for this area and rising to 62% currently represented by 69 malls. The retail outlets in neighbourhood areas are becoming larger especially in the more affluent neighbourhoods such as Bandar Utama. The rising number of townships aiming to be "self contained" townships also accelerates the number of neighbourhood shopping centres and also hypermarkets in the DA.

GT has the second largest retail stock of 3.3 million sq. ft. (21%) in 1995 and maintained its 22% market share with a projected 6.9 million sq. ft. of retail space in 2005 (e). GT, which provides most of the city centre shopping experience, is very popular amongst locals and foreigners. The 400 metres stretch of Bintang Walk, which was designed to bring life back to the city and the city back to life, has successfully become the leading entertainment spot in the city centre. This tourism icon for Kuala Lumpur has given value added to malls and hotels along the Bintang Walk, particularly to Lot 10 and Starhill Shopping Centre and hotels such as the stylish JW Marriott Hotel, Ritz-Carlton Hotel and the new Ritz-Carlton Residence. Suria KLCC located within the impressive 100-acre Kuala Lumpur City Centre (KLCC) development, is also another popular shopping destination in the heart of the City.

With keen competition facing the retailers, al fresco dining, coffee culture and innovative shopping complexes are seen in the changing facade of the local retail scene. On the other hand, chain hypermarkets offering wide variety of day to day kind of products have also established their positions in the country. In the scene of competitive market, retailers have no choice but to alter their business tactics to keep up. Nevertheless, these chain hypermarkets are hardly in competition with the city centre shopping malls, which are amongst others carry more of the "special occasion" offerings, which are not available in the suburban malls and retail outlets.

Shopping Centres

The main form of retail accommodation for retailers is the shopping centres. Thriving shopping centres are normally well-planned tenant mix centres and will usually be under one-single ownership. Being under one-ownership, these shopping centres will be able to face new challenges and change quickly to respond to changes in trends and social events.

The opening of new shopping centres, both in the city centre and the suburbs such as Berjaya Time Square in Jalan Imbi and suburban's 1 Utama (Second Phase) and The Curve, have raised the ante on the older shopping centres. As a result, the proliferation of new shopping centres has made the older shopping centres to also undergo refurbishment or re-branding exercise to cater to the changing shopper's habits and lifestyle.

In the GT itself, the Starhill Shopping Centre, for instance, will be relaunched soon after its RM100mil refurbishment. As part of Starhill Shopping Centre's re-branding exercise, it has formed a service team to boost retail sales. UDA's Bukit Bintang Plaza is also undergoing a RM15 million refurbishment, which would include redesigning its physical structure and putting in place better public amenities for its flagship retail and office building.

The YTL group, having own a number of prime properties in Bukit Bintang, all within walking distance to one another, is able to do more than what other property owners could to their properties. With a walkway linking four of the five properties YTL owns in Bintang Walk, the Group is able to add seamless connectivity to retail, hotel and food and beverages (F & B) services, health and beauty in Bukit Bintang.

New shopping centres that opened their doors for the past 2 years are also becoming more varied in format, reflecting the needs to cater to consumer's growing expectations. Among the latest is the Curve in Mutiara Damansara, which promotes pedestrian shopping mall concept. The Curve's open mall houses popular retail names from within the country and abroad.

Power Centres

The opening of Ikano Power centre marked another new era in the Malaysian retail scene. Situated in the heart of Mutiara Damansara and next to Ikea Store, this mammoth concept-mall houses 11 anchor-tenants, taking up 80% of its 39,018 sq. m. retail space. A power centre is where a few anchor tenants are clustered under one roof. Ikano's store spaces range from 1,394 sq. m. to 6,503 sq. m. in size, giving shoppers more than enough room to browse.

Hypermarkets

Hypermarket is currently where the action is. According to the official definition by the Ministry of Domestic Trade and Consumer Affairs, hypermarket is a self service distribution store with sales area of 5,000 sq. m. (about 54,000 sq. ft.) or more, selling a very wide variety of mainly consumer goods comprising of a mix of food and non-food products, in a range of transaction sizes or quantities and in different form of packaging.

The three major players in this sector are Dairy Farm International (Giant Hypermarket), Tesco Stores and Carrefour.

Dairy Farm International, which acquired a local hypermarket operation in 1999, has managed to open 13 hypermarkets in Malaysia whilst Tesco, a British retail chain together with its local partners, has reportedly the intention to invest some RM1.2 billion with a targeted 15 hypermarkets all over Malaysia. Tesco has successfully opened up 7 hypermarkets in Malaysia so far with another 2 outlets under construction. Despite the intense competition in the market place for greater market, Carrefour, which has currently 6 outlets, has announced its plan to open more hypermarkets.

While hypermarkets are gaining popularity in Malaysia, the Government is currently imposing a development freeze of such retail formats in the Klang Valley, Johor Bahru and Penang starting from 1st January 2004 to protect the traditional convenience stores and small traders. This freeze will remain effective until end-2009. This coupled with the new Guidelines on Foreign Participation in the Distributive Trade Services, may eventually result in the slowdown of the expansion plans by foreign players especially Dairy Farm International.

Al fresco Dining Concept

Inspired by the success of Bintang Walk, many shopping centres are opening up to include outdoor al fresco dining concepts. As the Malaysian economy continues to grow, this has, in turn improve consumer's disposable income and change in lifestyle.

We noted that whilst al fresco dining concept is becoming a standard feature for many shopping complexes, there are a few operators such as Secret Recipe, Coffee Bean, etc. a common feature in shopping complexes who choose to locate themselves also in traditional shop/offices within busy shopping areas such as Ampang Point rather than in shopping centres. By locating outside the centre, these operators are able to operate outside the trading hours of shopping complexes.

Free standing & drive-through fast food centres

In line with the growing trend of eating out, fast food outlets are growing in numbers and changing formats to capture bigger market share. Teaming up with petrol stations and in some locations with Giant Supermarket, this is seen to be one of the growing trends. In bigger catchment areas, fast food outlets such as Kentucky Fried Chicken, Pizza Hut and McDonalds, are currently having their own free-standing buildings.

3.5 Market Prospects

The market prospects for the retail market in the city for 2005 and 2006 is still good considering the commendable GDP growth forecasted for these 2 years. Retail sales forecast for 2005 at 7% is likely to be maintained around this level in 2006. Retail sales growth for the last 5 years since 2000 has averaged some 5% per annum.

In the Bukit Bintang area, all the shopping centres here (the exception being Berjaya Times Square) since 1998 have registered occupancies above the Kuala Lumpur average. Occupancies in this location will maintain at high levels as this is Kuala Lumpur's premier shopping street. The recent announcement by the Government to turn Jalan Berangan, off Jalan Bukit Bintang into an "Arab Street" to attract more West Asian visitors and also the entry of the Pavilion in this area will enhance this location even further as it will attract more shoppers (locals and foreigners) to this area. This location provides the widest array of shopping centres for visitors to shop in Kuala Lumpur.

OFFICE MARKET OVERVIEW

4.0 OFFICE MARKET OVERVIEW

The overview of the office sector will commence with a look at the indicators, which have an influence on the office property market. This is followed by the overview of the office property sector.

4.1 Office Indicators

4.1.1 Services Sector Performance

<u>1995 - 1999</u>

The years 1995-1996 were a period of rapid expansion of the Malaysian economy buoyed by double-digit growths of the manufacturing and construction sectors, strong external demand and increased per capita national income. The services sector expanded by 9.4% and 9.7%, respectively, during these years.

In 1997, the GDP registered moderate growth due to a slower pace of economic activity in the second half of the year as the region was adversely affected by the financial crisis. 1998 saw all sectors of the economy suffering severely, leading to a recession with GDP at –7.5%. The services sector contracted by –0.8% but the manufacturing and construction sector suffered the most with a decline of –13.7% and –23.0% respectively.

Services Sector Performance in Constant 1987 Prices

Sector	Share of GDP (%)									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 (e)
Electricity, gas, and water	2.3	2.4	2.5	3.4	4	3.8	4.2	4.1	4.1	4.2
Transport, storage and communications	7.4	7.4	7.5	8.2	8.1	8.0	8.7	8.6	8.6	8.7
Wholesale and retail trade, hotel and restaurants	12.3	12.4	12.3	15.7	15.2	14.8	15.1	14.9	14.3	14.3
Finance, insurance, real estate and business services	10.8	11.3	11.5	12.6	12.3	12.5	13.6	15.1	15.1	15.0
(% Change Fibre sub-sector)	10.5%	14.6%	9.5%	-4.3%	1.7%	5.1%	9.5%	8.2%	5.4%	6.3%
Government Services	9.5	9.1	9	7.3	7.4	6.9	7.2	7.2	7.4	7.1
Other Services	2.1	2.1	2.0	8.4	7.9	7.5	7.7	7.7	8.0	7.9
TOTAL	**44.3**	**44.8**	**45.0**	**55.6**	**54.3**	**53.4**	**56.4**	**57.6**	**57.6**	**57.1**
% Change services sector	9.4%*	9.7%*	8%*	-0.8%*	3.3%	4.8%	5.7%	5.3%	4.4%	6.0%

Note: (*) based on 1978 prices; (e) estimate
(Source: Economic Report)

In 1999, the economy rebounded, underpinned by measures adopted including the expansionary fiscal policy, easing of monetary policy and adoption of exchange controls, which helped insulate the Malaysian economy and restored stability and revived economic activities. All sectors of the economy in 1999 recovered except for the construction (-5.6%) and mining sectors whilst the services sector showed a positive 3.3% growth in that year over the previous year's negative growth (-0.8%).

2000 – 2004

The recovery of the economy in 2000 at 8.3% was shorter than expected due to the slow down of global economic activity especially in the USA and Japan and the September 11 attack. The main source of growth to GDP, given the slow down of the manufacturing sector was the services sector, which expanded by 4.4% in 2001.

The services sector contributes the highest share to GDP at 53.4% in 2000 to 57.0% (estimate) in 2004. The growth of the services sector over the last 5 years has ranged between 4.8% in 2000 to 7.0% (estimate) for 2004.

The forecast for 2005 for the services sector is at a modest 5% against a GDP forecast of 6% for the year. The finance, insurance, business and real estate of the services sector contribute as the main generators of demand for office space in Kuala Lumpur.

4.1.2 Fibre (finance, insurance, business, real estate) Sub-Sector

1995 - 1999

The "fibre" sub-sector of the services sector between 1995 and 1999 grew by only 12% from 374,400 to 420,000 employees. The government sector, which was under budgeting restraint, capped employment growth in the public sector had resulted in only a 2.2% growth during this period.

2000 – 2004

The period between 2000 and 2004 saw a more robust growth of 33% for the "fibre" sub-sector from 508,700 to 677,100 employees. Whilst the "fibre" sub-sectors employment constitutes only 6.4% of total employment in 2004, its contribution to the GDP is high at 15.0% (estimate) in 2004.

From 1995 to 2004, the share of the "fibre" sub-sector to GDP has increased from 10.8% to currently 15.0%.

Employment by Sector in Malaysia

Sector	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Finance Insurance Real estate, Business services ('000)	378.5	391.8	428.9	417.8	420	508.7	574.6	607.2	651.8	677.1
% change	7.4	5.1	9.5	-2.6	0.5	7.3	13.0	5.7	7.3	3.9
Government services ('000)	869.5	871.3	873.0	874.8	877.0	981.0	979.5	994.5	1026.1	1037.4
% change	0.2	0.2	0.2	0.2	0.3	2.1	-0.2	1.5	3.2	1.1
% of GDP (fibre sub-sector)	10.8	11.3	11.5	12.6	12.9	12.7	13.9	15.1	15.1	15.0

(Source: Economic Report)

4.2 Kuala Lumpur Office Location

The major concentration of purpose-built offices in Kuala Lumpur is in three main locations, which are the GT (Golden Triangle), the CBD (Central Business District) and the DA (Decentralised Areas).

The GT is areas bounded by Jalan Sultan Ismail, Jalan Raja Chulan and parts of Jalan Ampang and Jalan Tun Razak.

The CBD represents the older part of the city, which includes China Town, Jalan Tuanku Abdul Rahman, Jalan Raja Laut, Jalan Pudu and Chow Kit area.

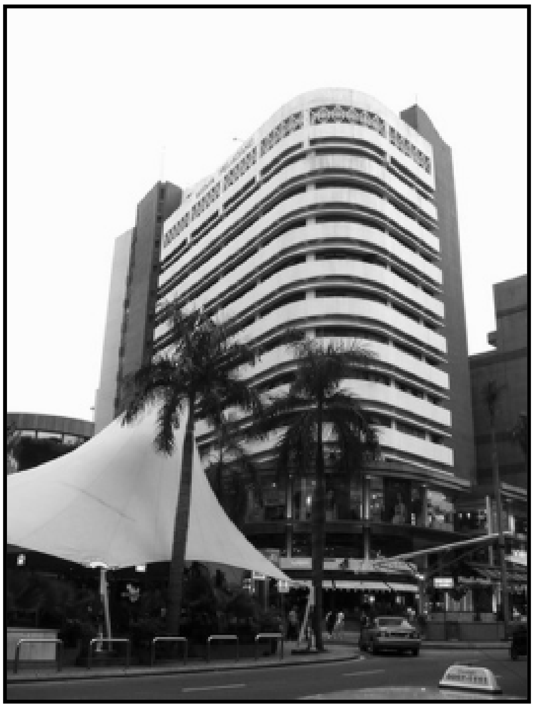
Bangunan Yayasan Selangor, a purpose-built office at the junction of Jalan Bukit Bintang and Jalan Sultan Ismail

The DA represents suburban Kuala Lumpur including Petaling Jaya, Subang Jaya, Damansara, Shah Alam and Putrajaya.

4.3 Kuala Lumpur Office Stock

1995 - 2004

Currently, the existing stock of purpose-built offices is at 60.5 million sq. ft. covering all 3 main office locations.



Wisma Peladang / Piccolo Galleria, a purpose-built office and retail complex along Jalan Bukit Bintang

The distribution of office space currently shows the GT accounts for 36% of Kuala Lumpur's purpose-built offices with the DA at a close 34%. Currently, the CBD accounts for 30% of the purpose-built offices in Kuala Lumpur.

YTL Plaza, a purpose-built office along the prime shopping street of Bukit Bintang

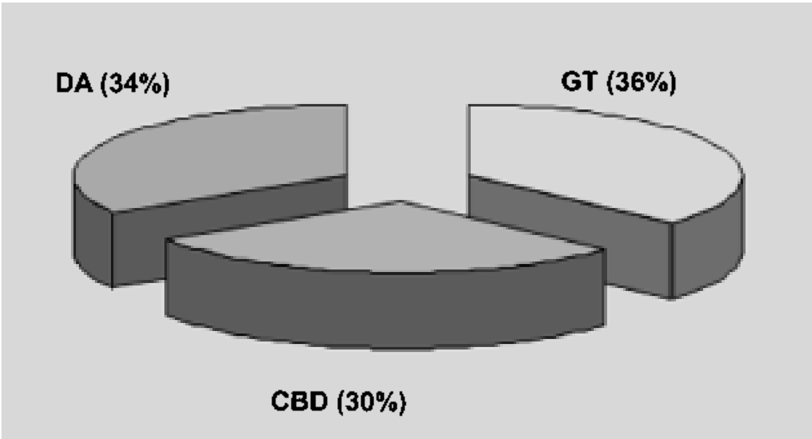
It can be expected that with more availability of lands outside the city centre and with better road networks and highway linkages to various population centres, the DA future supply will change but this may take quite awhile as the city centre is still favoured over a suburban address.

Kuala Lumpur Office Stock
1995 – 2004

Year	Cumulative Stock (sq. ft.)	GT	CBD	DA
1995	35,907,953	14,272,135	14,190,337	7,445,481
1996	38,575,201	16,034,198	14,671,522	7,869,481
1997	46,191,102	18,847,198	16,041,667	11,302,237
1998	50,055,769	20,507,575	16,207,903	13,340,291
1999	53,241,390	20,635,575	16,413,447	16,192,368
2000	54,745,972	21,045,572	16,995,977	16,704,423
2001	56,778,858	21,209,657	17,386,445	18,182,756
2002	58,328,718	21,209,657	17,752,790	19,366,271
2003	60,371,409	22,292,979	18,054,355	20,024,075
2004	60,521,824	22,292,979	18,054,355	20,174,490

(Source: Henry Butcher Malaysia)

Distribution of Purpose-Built Offices in Kuala Lumpur
2004



(Source: Henry Butcher Malaysia)

4.4 Kuala Lumpur Future Supply

1999 - 2008

The supply of new office space in the city (GT and CBD areas) was substantial between the year 1995 and 1999 amounting to 10,930,774 sq. ft. or an average of 2,186,000 sq. ft. per annum.

New supply of office space in the GT between 1999 and 2005 has, however, been slow at only 2,062,000 sq. ft. whilst the CBD registered some 1,996,452 sq. ft. during the same period. In total, over the last 6 years since 1999, only 4,059,376 sq. ft. was completed in the city (GT and CBD areas). This averages to only 677,000 sq. ft. per annum of purpose-built offices.

The future supply of purpose-built offices is currently in the CBD and DA locations. Three buildings currently are under construction are OCBC Building in Jalan Tun Perak (150,000 sq. ft.), Menara Commerce (630,000 sq. ft.) and Sentral Lot N in KL Sentral (351,000 sq. ft.). The OCBC Building is scheduled for completion this year whilst Menara Commerce is to be completed in 2008/2009 and Sentral (Lot N) in 2007/2008.

New Supply in GT
1999 – 2005

Buildings	Location	NLA (sq. ft.)
1999		
Pacific Bank	Jln Sultan Ismail	128,000
2000		
Menara HLA (Wisma Kia Peng)	Jln Kia Peng	409,997
2001		
Menara Prudential	Jln Sultan Ismail	164,085
2003		
Menara Maju Perdana	Jln Sultan Ismail	370,633
TH Perdana	Jln Sultan Ismail	389,104
Bgn Yayasan Tun Razak	Jln Tun Razak	323,585
2005		
Wisma See Hoy Chan	Jln Tun Razak	277,520
TOTAL NEW SUPPLY 1999-2005		**2,062,924**

Abandoned/Deferred/Stop work :		
CN Gallery	Jln Sultan Ismail	160,065
Worldwide Tower	Jln Bukit Bintang	309,018

New Supply in CBD
1999 – 2005

Buildings	Location	NLA (sq. ft.)
1999		
Vision City Tower 1 (Bank Industry)	Jln Raja Abdullah	205,544
2000		
AIA Tower 1	Jln Ampang	204,988
Wisma MBSSB (Primaland (CCB/Phileo)	Lebuh Ampang	120,000
Vision City Tower 2(DBKL)	Jln Raja Abdullah	257,542
2001		
Straits Trading Building	Lebuh Pasar Besar	86,004
Wisma Havela Thakardas	Off Jln Raja Laut	85,595
Vision City Tower 3(MARA)	Jln Raja Abdullah	218,869
2002		
Maju Junction (Plaza Potential)	Jln Sultan Ismail	366,345
2003		
Menara Percon	Jln Raja Laut	301,565
2005		
OCBC Building	Jln Tun Perak	150,000
TOTAL NEW SUPPLY 1999-2005		**1,996,452**

Abandoned/Deferred/Stop work:		
Capital Square Tower 2	Jln Munshi Abdullah	697,546
2000 Menara Titiwangsa	Jln Pahang	340,000
Plaza Rakyat	Jln Pudu	705,251
Renuka Towers	Jln TAR	69,000
Treasure Tower	Jln Pudu	169,980

Future Supply:		
2008/2009		
Menara Commerce	Jln Raja Laut	629,990

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New Supply in DA
1999 – 2005

Buildings	Location	NLA (sq. ft.)
1999		
Menara SPPK, Setia 1	Jln Dungun	143,847
Menara SPPK, Setia 2	Jln Dungun	120,768
Menara Perkeso	Jln Ampang	219,730
Menara Summit	Subang Jaya	149,632
Menara Millenium (Damansara City)	Jln Damansara	570,000
Kelana Entreprenurea Park	Kelana Jaya	420,000
Plaza Pantai (3 blocks A,B,C)	Jln Pantai	495,000
Mutiara PJ Majestic Square	Jln Othman/PJ	155,000
Tenaga National Berhad	Jln Kepong	89,000
Mutiara Bangsar	Jln N Liku, Bangsar	132,000
Selbourne Square Block A	Shah Alam	200,000
Subang Square Corporate Tower	Subang	157,100
2000		
Sri Utara	Jln Ipoh	98,854
Menara IGB (Mid-Valley)	Jln Syed Putra	213,201
Selbourne Square Blk B (Gov)	Shah Alam	200,000
2001		
Selbourn	Jln Tun Razak	279,174
Menara Kurnia Insurance	Petaling Jaya	220,003
Bangunan SPPS	Petaling Jaya	99,519
B Perwira Affin Bank	Shah Alam	81,031
Wisma Telekom	Semarak	282,003
KL Sentral – Blk 3A	Jln Tun Sambanthan	153,827
KL Sentral – Blk 3B	Jln Tun Sambanthan	212,781
KL Sentral – Blk 4 (Tabung Haji)	Jln Tun Sambanthan	149,995
Selbourne	Jln Tun Razak	279,174
2002		
Menara Telekom	Jln Pantai Baru	1,183,515
2003		
Menara Great Eastern	Jln Ampang	406,574
Menara Naza	Jln Raja Muda Abdul Aziz	251,230
2004		
Menara Axis	Jln Barat PJ	150,415
TOTAL NEW SUPPLY 1999-2005		**7,122,860**

Abandoned/Deferred/Stop work:		
Subang Twin Business Centre	Subang Jaya	440,100
Menara Jalinan	Jln Taman Seputih	73,973
Menara Marinara	Jln Tun Razak	294,873
Shencourt Business Tower	Jln Dagang	240,000
Naga City	Jln Kepong	250,000
Plaza Cygal	Jln Pantai	182,018

Future Supply:		
2007/2008		
Sentral (Lot N)	KL Sentral	351,000

(Source: Henry Butcher Malaysia)

Deferred or stalled building projects located within the GT include the CN Gallery in Jalan Sultan Ismail and Worldwide (next to Bangunan Yayasan Tun Razak) in Jalan Bukit Bintang. Record shows that there is no new supply coming up in 2006, some 351,000 sq. ft. in 2007/2008 and 630,000 sq. ft. in 2008/2009. **This shows that future supply between 2006 and 2009 is estimated only 283,000 sq. ft. per annum, which is substantially below the 10-year historical annual new supply of 1,500,000 sq. ft.**

4.5 Office Demand and Occupancy

1995 - 2004

Since the recession of 1998, the office sector has suffered from serious oversupply, poor occupancies and falling rent.

Average Occupancy by Location
1995 - 2004

Location	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
GT	99%	96%	96%*	81%*	83%	85%	87%	84%	84%	86%
CBD	99%	99%	99%*	85%*	92%	89%	84%	81%	84%	87%
DA	73%	72%	98%*	76%*	78%	83%	88%	83%	83%	86%

(Source: The Edge, (*) JPPH, Property Market Reports)

In the mid-nineties, the Kuala Lumpur office sector had enjoyed almost full occupancies of between 96% and 99% for the GT and CBD areas. Rentals of prime office space ranged from RM5.30 psf and RM5.60 psf and capital values were about RM600 psf. In 1996, the take-up rate was at 2,014,771 sq. ft. and reached the highest ever at 10,935,351 sq. ft. in 1997.

Average Occupancy by Grade

1999 - 2004

Grade	Location	1999	2000	2001	2002	2003	2004
A+	GT	79%	84%	91%	88%	87%	89%
A	GT	88%	89%	88%	87%	87%	89%
B	GT	66%	67%	67%	56%	52%	62%
B	CBD	93%	92%	90%	87%	85%	87%
C	CBD	90%	82%	76%	73%	81%	88%
B	DA	77%	78%	79%	79%	80%	88%
C	DA	78%	85%	92%	85%	84%	86%

(Source: The Edge)

Average Occupancies and Absorption Rate
Of Purpose-built Office in Kuala Lumpur

Year	Cumulative Stock (sq. ft.)	Occupancy Rate (%)	Take-up (sq. ft.)
1995	35,907,953	90	-
1996	38,575,201	89	2,014,771
1997	46,191,102	98	10,935,351
1998	50,055,769	81	-4,722,107
1999	53,241,390	84	4,177,595
2000	54,745,972	86	2,358,768
2001	56,778,858	86	1,748,282
2002	58,328,718	83	-416,982
2003	60,371,409	84	2,299,148
2004	60,521,824	86	1,336,785

(Source: Henry Butcher Malaysia)

Average occupancies dropped from almost full occupancies in the mid-nineties to 76% - 85% in 1998 for the 3 main office locations, which was a drastic fall of 14% - 22% against rising new supply of the nineties. The absorption rate of purpose-built office space hit the lowest point at a negative 4,722,107 sq. ft. Following this period, the purpose-built office sector experienced positive movements both in terms of rent as well as occupancies in 2004. The take-up rates have been improved since, with a slight drop in 2002. In 2004, the absorption rate was at a healthy 1,336,785 sq. ft.

The average occupancy for the 3 office locations of the GT, CBD and DA in the fourth quarter of 2004 is now at a healthy 88% and given the positive activities is likely to improve further.

Average Occupancy by Location
2003 – 2004 (Quarterly)

LOCATION	2003				2004			
	MAR	JUN	SEPT	DEC	MAR	JUN	SEPT	DEC
GT	83%	83%	84%	84%	85%	86%	87%	87%
CBD	81%	84%	85%	85%	84%	88%	88%	89%
DA	81%	82%	84%	84%	85%	86%	85%	89%
Overall	**82%**	**83%**	**84%**	**84%**	**85%**	**87%**	**87%**	**88%**

(Source: The Edge)

Average Occupancy by Grade
2003 – 2004 (Quarterly)

GRADE	LOCATION	2003				2004			
		MAR	JUN	SEPT	DEC	MAR	JUN	SEPT	DEC
A+	GT	86%	86%	87%	88%	89%	89%	90%	89%
A	GT	87%	87%	88%	87%	88%	89%	89%	91%
B	GT	52%	52%	52%	53%	56%	67%	66%	59%
B	CBD	86%	86%	85%	84%	84%	88%	88%	89%
C	CBD	73%	81%	84%	86%	85%	87%	89%	89%
B	DA	78%	78%	82%	82%	82%	86%	89%	95%
C	DA	83%	84%	85%	84%	86%	87%	83%	86%

(Source: The Edge)

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In the last quarter of 2004, amongst the 3 main office locations, the GT stands at 87%, the CBD at 89% and the DA is also at 89%. Whilst the average GT occupancies are lower than the CBD and DA, the class "A" buildings have actually achieved an average occupancy of 91%. This indicates that the better buildings in prime locations are in demand and may likely be insufficient to meet future demand.

These are indications that the purpose-built office sector is on the road to recovery.

4.6 Average Rent and the Office Index

1995 - 2004

The Edge Office Index is an index to measure the rental performance of the purpose-built offices from 1995 to current. The index, with a base point of 100 points in 1995, peaked to 108 points in 1996, and in that year, rents of purpose-built offices within GT averaged about RM5.24 psf whilst CBD at RM4.19 psf and the DA at RM3.78 psf.

Average Rental Rate By Location (RM psf)

1994 - 2004

LOCATION	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
GT	5.26	5.24	5.04	4.46	3.74	3.75	3.53	3.65	3.77	3.93
CBD	3.73	4.19	4.13	4.05	3.48	3.21	3.10	2.95	2.84	2.83
DA	3.58	3.78	3.78	3.60	3.01	2.95	2.91	2.86	2.77	2.84

(Source: The Edge)

In 1999 (one year after the recession of 1998), rent in the GT retreated by 29% to RM3.74 psf whilst the CBD retreated by 17% to RM3.48 psf and the DA by 20% to RM3.01 psf.

Rental Rate By Grade (RM psf)

1995 - 2004

GRADE	LOCATION	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
A+	GT	5.29	5.66	5.63	5.13	4.28	4.39	4.51	4.42	4.29	4.36
A	GT	4.83	5.13	4.87	4.51	3.88	3.89	3.85	3.53	3.95	4.08
B	GT	4.46	4.94	4.63	3.74	3.05	2.97	2.22	3.00	3.08	3.37
B	CBD	4.40	4.68	4.78	4.58	3.91	3.56	3.40	3.23	3.12	3.11
C	CBD	3.41	3.69	3.47	3.51	3.05	2.86	2.80	2.66	2.56	2.55
B	DA	3.15	3.90	4.11	3.79	3.27	3.11	3.01	2.93	2.90	3.02
C	DA	3.57	3.65	3.44	3.41	2.75	2.79	2.82	2.79	2.65	2.66

(Source: The Edge)

Between 1999 and 2004, average rents in the GT improved by 5%, the CBD recorded a fall of almost 19% whilst the DA suffered a smaller 6% retraction in rent. The analysis shows that the GT average rent is now (Q4 2004) at RM3.99 psf.

Average Rental By Location (RM psf)

2003-2004 Quarterly

LOCATION	2003				2004			
	MAR	JUN	SEPT	DEC	MAR	JUN	SEPT	DEC
GT	3.76	3.74	3.74	3.84	3.86	3.98	3.91	3.99
CBD	2.84	2.87	2.83	2.82	2.80	2.81	2.86	2.86
DA	2.79	2.75	2.75	2.81	2.83	2.81	2.85	2.88

(Source: The Edge)

The average CBD rent is currently at RM2.86 psf and the average rent of the DA currently is at RM2.88 psf.

Rental Rate By Grade (RM psf)
2003-2004 Quarterly

GRADE	LOCATION	2003				2004			
		MAR	JUN	SEPT	DEC	MAR	JUN	SEPT	DEC
A+	GT	4.32	4.28	4.28	4.28	4.28	4.37	4.37	4.40
A	GT	3.95	3.95	3.95	3.94	4.00	4.23	4.02	4.08
B	GT	3.00	3.00	3.00	3.30	3.30	3.33	3.35	3.48
B	CBD	3.12	3.17	3.12	3.07	3.07	3.10	3.13	3.13
C	CBD	2.56	2.56	2.53	2.57	2.52	2.52	2.58	2.58
B	DA	2.88	2.88	2.88	2.94	2.99	2.99	3.03	3.07
C	DA	2.69	2.61	2.61	2.67	2.67	2.63	2.66	2.68

(Source: The Edge)

Amongst the 3 main purpose-built office locations, it appears that the CBD has suffered the worst decline compared to the GT and DA locations. This is attributed to the quality of buildings being not maintained/upgraded compared to the prime GT location and the newer buildings in DA locations.

4.7 Purpose-built office Transactions and Capital Values

<u>1995 - 2005</u>

Capital value for prime purpose-built offices is currently between RM450 psf and RM500 psf. Transactions of office space have been unprecedented in 2004 in its number, compared to the early years after recession.

Whilst values, like occupancies and rents, have yet to reach previous levels, the values are slowly ascending as demand for enblock purchases have increased. The interest in REITS is expected to further boost market activity in this sector.