

In 2004, some RM1.9213 billion worth of office space was transacted, comprising some 14 buildings. Capital values ranged from a high range of RM400 psf and RM595 psf to a lower range of RM280 psf and RM350 psf. Total office space transacted amounted to 4,689,933 sq. ft. On this basis, the average value of purpose-built office transacted in 2004 was at RM410 psf. As a comparison, previous high level of capital values achieved was between RM500 psf to RM650 psf. It appears that the potential to reach this level of values is not improbable.

Property Transactions

1996 – 2005

Buildings	Location	NLA (sq. ft.)	Value (RM Mill)	Value Psf (RM)
1996				
Vision City - Tower 1	Jln Sultan Ismail	202,906	118.7	585
Wisma Muisan	Jln Raja Laut	60,665	36	593
SPPK	Jln Damansara	210,000	63	300
1997				
Bangunan Bank Industry	Jln Sultan Ismail	99,605	65	653
Wisma Idris	Jln Sultan Ismail	175,227	105	599
Vision City	Jln Sultan Ismail	260,000	160	614
Plaza Pekeliling	Jln Kampar	140,429	49	349
1998				
Wisma PJD	Jln Raja Chulan	200,752	100	498
Pernas Int'l	Jln Sultan Ismail	278,643	107.4	385
Menara Lion 98	Jln Ampang	754,625	361	480
2000				
Menara Phileo	Jln Tun Razak	300,000	92.6	309
2002				
Wisma Time	Jln Tun Razak	171,611	62.05	362
Menara Sunway	Sunway	275,172	125	454
Menara MRCB	Shah Alam	216,542	55	254
2004				
Menara Weld	Jln Raja Chulan	409,702	150	366
Menara Dayabumi	Off Jln Sultan Hishamuddin	675,000	270	400
Menara CAHB	Jln Raja Laut	629,995	375	595
Menara Millenium	Jln Damanlela	573,175	255	445
KL Sentral	KL Sentral	351,000	161.5	460
MUI Plaza	Jln P. Ramlee	345,833	166	480
Wisma KFC	Jln Sultan Ismail	175,292	90	513
Wisma Cyclecarri	Jln Raja Laut	397,942	140	352
Oriental Bank Building	Jln Hang Lekiu	122,429	35	286
Wisma Sime UEP	Persiaran Perpaduan USJ 10	89,285	35	392
Wisma Nusantara	Lorong P. Ramlee	95,260	26	273
Bangunan Sime Bank	Jln Sultan Sulaiman	385,839	114	295
Wisma Semantan (HP Tower)	Jln Semantan	346,078	103.8	300
THB Satu	Damansara Endah	93,103	32.4	348
2005				
Tower 3 Bandar Wawasan	Jln Raja Abdullah	218,869	105	480
Plaza Cygal	Jln Pantai	188,122	65.8	350
Vision City Tower 3 (Bandar Wawasan)	Jln Raja Abdullah	218,869	105	480
TOTAL		8,661,970	3,729	431

(Source: Newspapers Articles)

4.8 New Office Trends

SoHo – an acronym widely used to describe Small Offices, Home Offices – is a trend widely accepted all over the world. This American-born method of doing business is set to change in the future, with Singapore leading the way by implementing a Government policy aimed at recognising and even encouraging the set-up of more SoHos in the island Republic.

The “Home Office” concept allows the home to be used as an office where business are run from the home and do not involve more than two people and the business do not disturb the peace and quiet of the residential community. Fleadgeling businesses such as professionals striking out on their own are drawn to SoHo because of the overheads they would save. Once they are established, they are more prepared to set up a proper office.

In Kuala Lumpur, the SoHo concept is a new concept, which a few developers have experimented with. In the city, Seri Bukit Ceylon developed this concept where each unit is a duplex unit ranging from 960 sq. ft. to 1,944 sq. ft. Only 26 units were developed but the concept did not seem to attract buyers, probably due to the pricing as well as location of the units within the complex. The next developer to hit the market with SoHo is Tan and Tan’s North Point at Mid-Valley. This development was a success in which initially the developer intended to launch only one block. However, as the response was so good, the second block’s launch has been brought forward.

North Point’s SoHo comprises 204 units with 1,400 sq. ft. to 1,900 sq. ft. They have individually controlled air-conditioning and utility meters, pantry and restrooms. We believe the success of this SoHo concept is its prime location, in the midst of Mid-Valley, a thriving

retail, business, hotel development served by a direct highway access and the KTM commuter.

Another developer, Negara Properties, has launched Melawati Urban 2, a mix-use development having a Home Office concept. At the moment, they are launching the retail component first comprising of shop/offices whilst the SoHo will be announced at a later date.

This SoHo concept is still considered new, in the sense that not many developers have embarked on this concept. Because the unit sizes are small and they are targeted at one-man operations, SoHo concept will not jeopardize the purpose-built office sector.

4.9 Market Prospects

The market prospect for office, especially purpose-built office in the city and in particular the GT area, is starting to look promising. Since 1998, average occupancies have improved, albeit at a slow pace, but rental rates are still below peak levels of 1996. Transactions of purpose-built offices surged in 2004 and have registered unprecedented volume at 4.689 million sq. ft. Against this, supply of purpose-built offices in the city centre has been extremely tight and way below the 10-year average of 1,500,000 sq. ft. per annum and currently is at an estimated 280,000 sq. ft. (2007 to 2009) based on buildings now under construction.

The market prospects for the purpose-built office space for the next 2 years is expected to be good with at least 3% - 5% per annum growth in occupancies and coupled with improved rental rates (1% - 2% per annum) because of the limited new supply.

HOTEL MARKET OVERVIEW

5.0 HOTEL MARKET OVERVIEW

For the purpose of this study, only the 4-star and 5-star hotels in Kuala Lumpur will be included in this report. All information relating to hotels, therefore, is confined to the 4-star and 5-star hotels only.

5.1 4-Star and 5-Star Hotels Location

In the city centre, the 4-star and 5-star hotels are generally located in the GT locations, along major roads such as Jalan Sultan Ismail, Jalan Bukit Bintang, Jalan Ampang and Jalan Raja Chulan. However, there are 4-star & 5-star hotels which are located in the DA location, specifically KL Sentral (Hilton & Le Meridien) and the Lake Gardens area (Seri Carcosa). These are, however, very limited in numbers.

The GT location is still considered the best location in Kuala Lumpur especially around and near to KLCC and major shopping belts such as the Bukit Bintang area.

5.2 Existing Stock of 4-Star and 5-Star Hotels

1995 – 1999

Our analysis shows that between year 1995 and 1999, there were 30 4-star and 5-star hotels in the city centre. As at 1999, these 30 hotels contributed to a total of 12,967 rooms or an average of 400 rooms per hotel. The supply of 4-star and 5-star hotel rooms doubled from 6,295 to 12,967 rooms, which was a 19% growth per annum over the 4 years. Except for the Westin Hotel, all the 4-star and 5-star hotels in the Bukit Bintang area had commenced operations before 1999. Up to 1999, the 4-star and 5-star hotels in Bukit Bintang area accounted for 2,404 rooms or 19% market share of the existing supply.

Newly Launched 4-Star & 5-Star Hotel in Kuala Lumpur

2003 - 2004

Year	Hotel	Rooms	Location	Rating
2003	Westin	288 (for the first launch)	Jln Bukit Bintang	5-star
2004	Hilton KL Sentral	510	KL Sentral	5-star
2004	Le Meridien	422	KL Sentral	5-star

(Source: Henry Butcher Malaysia)

**Number of Hotel and Rooms for 4-Star & 5-Star Hotel
In Kuala Lumpur 1994 - 2005**

Year	Number of Hotel	Number of Rooms
1994	12	5,466
1995	14	6,295
1996	20	8,816
1997	26	11,070
1998	30	12,920
1999	30	12,967
2000	29	12,921
2001	29	12,968
2002	28	12,396
2003	30	13,329
2004	32	14,366
2005(*)	32	13,722

Note: (*) January and February 2005
(Source: MIHR, Tourism Malaysia)

2000 – 2005

New supply of 4-star and 5-star hotels almost stopped during these years except for 3 new hotels, which were the Westin (opened in 2003), the Hilton Sentral and Le Meridien (opened 2004). The Westin Hotel was opened at the end of 2003 and has 424 rooms. It is located adjacent to the JW Marriott Hotel.

New supply over these years totalled 1,318 rooms only or an average of 260 rooms per annum over 5 years. This is below the 10-year historical average of 740 rooms per annum.

5.3 Future Supply of 4-Star and 5-Star Hotels

Our investigations show that in the city centre, about 3 hotels have stopped construction and they are located in the heart of the GT, namely Grand Duta, Novotel and Wawasan Hotel.

Under Construction/ Deferred Hotel Projects in Kuala Lumpur

Hotel	Location	Rating	Rooms	Status	Expected Year of Completion
Trader Hotel (Shangri-la Hotel & Resort Group' second brand)	Kuala Lumpur Convention Centre, KLCC	4-star	NA	Under Construction	NA
Holiday on the Park/Impiana Hotel	Jln Pinang	3-star	NA	Under Refurbishment (sold in 2002 to Petronas Retirement Benefit Fund)	2006 (with extension)
Boulevard Hotel	Mid-Valley City	4-star	395	Under Construction	2005
Berjaya Central Park	Jln Sultan Ismail/ Jln Ampang	5-star	814	Under Construction	2006/2007
Four Seasons	Jln Ampang	5-star	NA	Under Planning	2008
Grand Duta	Jln Ampang	5-star	NA	Stopped	
Novotel	Jln Kia Peng	4/5-star	NA	Stopped	
Wawasan Hotel	Jln Conlay	4/5-star	NA	Stopped	

(Source: Henry Butcher Malaysia)

Currently, some 4 hotels are under construction and would be completed by 2007. We estimate that these 4 hotels could contribute some 2,000 rooms into the city centre and the DA location (Mid-Valley). On this basis, new supply in the year 2005 and 2007 is about 700 rooms per annum.

**4-Star & 5-Star Hotel Transactions in Kuala Lumpur
2004**

Year	Hotel	Purchaser	Price
2004	Sheraton Imperial Kuala Lumpur	NA	RM225 million
2004	Eastin Hotel	Tanigra Sdn Bhd	RM195 million
2004	Putrajaya Marriott (IOI Corp)	IOI Properties Bhd	NA
2004	Palm Garden (IOI Corp)	IOI Properties Bhd	
2004	Mutiara KL	International Hotel Group (Renamed to Crowne Plaza KL)	NA

(Source: Newspapers Articles)

5.4 Average Room Rates and Occupancy

1995 – 1999

Average room rates for 4-star and 5-star hotels have always been low at below RM200 per room per night. From a high of RM196 in 1996, average room rates of 4-star and 5-star hotels decreased by 28% to RM142 per room per night in 1999. The average occupancies during this time were at a high 78% pre-recession time but post recession dropped to only 52% in 1999.

**Average Occupancy Rate and Room Rates of 4-Star & 5-Star Hotels
in Kuala Lumpur 1994 - 2005**

Year	Number of Rooms	Average Occupancy Rates	Kuala Lumpur Average Room Rates	Bukit Bintang Average Room Rates
1994	5,466	78%	195	-
1995	6,295	79%	195	-
1996	8,816	75%	196	-
1997	11,070	68%	192	-
1998	12,920	52%	166	-
1999	12,967	56%	142	-
2000	12,921	61%	160	188
2001	12,968	61%	158	186
2002	12,396	63%	164	196
2003	13,329	65%	179	193
2004	14,366	72%	185	226
2005	13,722	61%	192	228

(Source: MIHR, Tourism Malaysia)

2000 – 2005

The average room rates between these years have not fared well and have not yet achieved previous heights of 1995/1996. In 2004, the average room rates hovered around RM185 per room per night only for 4-star and 5-star hotels in Kuala Lumpur. The hotels in the Bukit Bintang area, however, fared much better overall, from RM188 in 2000 to as high as RM228 in 2004. In 2004, the average room rates for hotels in Bukit Bintang were 19% higher than the Kuala Lumpur average for that year. Between 2000 and 2005, average room rates for 4-star and 5-star hotels in Bukit Bintang were 18%-22% higher than the Kuala Lumpur average (except in 2003 when it was only 8% higher). These hotels have registered an average growth of 4% per annum (2000 – 2005) comparable to the 4-star & 5-star hotels in Kuala Lumpur, which also averaged 4% growth (2000 – 2005).

During this period, hotel occupancies improved in tandem with improved tourist arrivals. From a low of 67% in 2000, current figures show occupancies are now at 72%.

In the Bukit Bintang area, the 4-star and 5-star hotels have mirrored the overall performance in the city. In 2004, the average occupancy in this location was 71%. In the first 2 months of 2005, these hotels have registered a commendable 62%.

5.5 New Trends

Service apartments are not new in Kuala Lumpur, but in the last 2 years, there has been an influx of new service apartment developments in, as well as outside, the city.

Service apartments are a threat to the hotel sector as they provide affordable, spacious living for visitors with families who are on extended stay. To combat this, many hotels have provided service apartments within their development. Amongst them are:

KL City Centre and City Fringe	No. of Units	Managed by
Mandarin Oriental	51	Mandarin Oriental
Westin Hotel	68	Westin Hotel
Prince Hotel	160	Prince Hotel
Dorsett/Sri Jati	25	Dorsett Regency
Legend Hotel	147	Metroplex
Ritz-Carlton Residence(*)	114	YTL

() Most probably would be service apartments, currently uncertain of the type of development.
 (Source: Henry Butcher Malaysia)*

Service apartment developments in the city centre accounts some 11 projects comprising of about 4,000 units. Currently, the city centre has a stock of 3,300 units of existing service apartments. Upon completion of these new service apartment developments, the stock would increase by 2-folds. Hoteliers are bracing themselves to this challenge. Prime hotels in locations, such as the ever-popular Bukit Bintang area, however, will still be able to command good occupancies, but invariably at competitive rates. The average room rates for Kuala Lumpur's 4-star and 5-star hotels since 2000 have grown at a modest 4% per annum only, which also reflects the growth in Bukit Bintang.

5.6 The JW Marriott Hotel

JW Marriott commenced its business in mid-1997. This prime 5-star hotel sits on a 10 level Podium Block (B5, B4, B3, B1, Lower GF – 4thA Floor) and the whole of the Tower Block (5th – 32nd Floor). This 29-storey hotel is the first Marriott property in Malaysia and currently has 561 rooms equipped with luxurious 5-star facilities and amenities. JW Marriott is operated by Starhill Shopping Centre Hotel Sdn Bhd and is being managed by Marriott International Hotels, Inc.

Location

JW Marriott Hotel Kuala Lumpur is conveniently situated in Jalan Bukit Bintang, within the Central Business District of Kuala Lumpur. It is part of the new Starhill Shopping Centre and fronts onto Bintang Walk, a popular-trendy shopping street with a wide range of restaurants, shops and entertainment outlets. This 5-star deluxe hotel is located nearby of major shopping venues such as Starhill Shopping Centre, Lot 10, Sungei Wang Plaza, Bukit Bintang Plaza, Imbi Plaza and Low Yat Plaza.



JW Marriott Hotel and Starhill Shopping Centre

Rental Rates and Occupancies

The rental rates and occupancies of the JW Marriott are as shown below. According to YTL source, since the taking over by YTL in March 1999, the highest average occupancy this hotel has achieved is a commendable 76.51% in the year of between July 2004 and March 2005, which is above the Kuala Lumpur average of 72% (in 2004). Consistently, since July 2000, this hotel has managed to register average occupancy of about or above the Kuala Lumpur average. According to YTL, in terms of average room rates, too, since 2000, the hotel's rates are 9% - 56% above the Kuala Lumpur's average. For 2005, the average room rates recorded for JW Marriott is 41% above the Kuala Lumpur average. The growth per annum for average room rates is at an average of 8% between 2000 and 2005 or 10% since 1999.

JW Marriott Hotel, Kuala Lumpur
Average Occupancy Rate ("AOR") and Average Room Rate ("ARR")

Period	AOR (%)	ARR (RM)
March 1999* - June 1999	47.78	186.98
July 1999 – June 2000	62.19	174.35
July 2000 – June 2001	73.54	201.92
July 2001 – June 2002	70.09	255.34
July 2002 – June 2003	67.49	246.09
July 2003 – June 2004	72.59	262.86
July 2004 – March 2005	76.51	270.38

* YTL took over the operation of JW Marriott in March 1999

Room Rates by Type of Rooms

Type of Rooms	No. of Unit	RM
Deluxe Kings	318	500++
Deluxe Twins	173	500++
Studio Suites	21	800++
Junior Suites	34	800++
One-bedroom Suites	8	1,200++
Two-bedroom Suites	3	1,200++
VIP Suites	2	4,000++
Chairman's Suites	1	6,000++
Presidential Suites	1	8,000++

(Source: YTL Land Sdn. Bhd.)

Comparing the average room rates of selected hotels within the Bukit Bintang vicinity shows that JW Marriott's average room rates is the third highest after Ritz Carlton and Regent within the period 2000 – 2002 and in forth place within 2003 – 2005 (March) with the completion of the Westin in 2003.

Average Room Rates of Selected Hotels within Bukit Bintang vicinity

Name of Hotels	Year						
	2000 (RM)	2001 (RM)	2002 (RM)	2003 (RM)	2004 (RM)	2005 (Mac) (RM)	
Westin	-	-	-	291	284	308	
Ritz Carlton	269	272	248	332	324	313	
Regent	226	225	252	256	250	243	
Grand Plaza Parkroyal	145	137	138	148	182	184	
JW Marriott	200	213	238	254	265	258	
Istana Hotel	153	147	158	157	154	163	
Dorsett Regency	152	130	125	134	135	136	

(Source: MHR Consulting Sdn Bhd)

It is interesting to note that the room rates achieved in Kuala Lumpur are very much lower compared to room rates achieved by other JW Marriott in the other parts of the world even in South East Asia. This shows that there is still room for appreciation/improvements for these rates. This is clearly shown in the following table:-

Marriott Hotel, Comparison of Room Rates Offered

Type of Rooms	JW Marriott, Kuala Lumpur, Malaysia	JW Marriott Hotel, Bangkok, Thailand	JW Marriott, Jakarta, Indonesia	JW Marriott Hotel, Hong Kong
Quality Room	RM320++	USD 149 – 235 (RM566 – 893) 70%	USD110-180 (RM418 – 684) 23%	HKD2050 (RM999) (200%)
Executive Level Room		USD172 – 218 (RM653 – 828)	USD145-215 (RM551 – 817)	HKD2750 (RM1340)
Suite	RM500++	USD249 - 258 ⁽¹⁾ (RM946 – 980) 89%	USD220 –270 (RM836 – 1,026) 67%	HKD3750 (RM1828)

Source: www.Marriott.com

Note:

Rates for the above hotels were selected based on room rates on a weekday in May 2005. There may be differences in terms of the packages provided (e.g. with or without breakfast, service tax, etc.).

(1) One bedroom suite

Based on the above, the rates offered in Malaysia are at very affordable levels with the nearest to Kuala Lumpur rates being the ones available in Jakarta. Even the Quality Rooms in Jakarta is pegged at some 20% higher than those in Kuala Lumpur. The 5-star JW Marriott Hotel, Hong Kong being the Group's flagship property in Asia-Pacific and located in the heart of Hong Kong's city centre is pegged at triple (for Quality Room) the rates of Kuala Lumpur's.

The same "infancy" rates is observed for YTL's other flagship hotel i.e. the Ritz Carlton where the rates currently pegged for the rooms in Kuala Lumpur is very much lower compared to its counterpart in other parts of the world, including our neighbouring countries. The table below shows the Kuala Lumpur Ritz Carlton's current room rates in comparison to selected Ritz Carlton Hotels in the Asian region.

Ritz Carlton, Comparison of Current Room Rates Offered

Type of Rooms	Ritz Carlton, Kuala Lumpur, Malaysia	Ritz Carlton, Millenia Singapore	Ritz Carlton, Jakarta, Indonesia	Ritz Carlton, Hong Kong
Quality Room	RM350-700	SGD320 – 340 (RM741 – 787)	USD158 (RM600)	HKD2680 (RM1,306)
Deluxe Room	RM450 - 780 ⁽¹⁾	SGD350-370 ⁽²⁾ (RM810 – 856)	USD248 ⁽³⁾ (RM942)	
Club Level Room		SGD 565 (RM1,308)	USD198 (RM752)	HKD3080 – 3780 (RM1,501 – 1,843)
Premier Room		SGD698 (RM1,616)		
Suite - Executive	RM880-1199	SGD888-1488 (RM2,056 – 3445)	USD418 (RM1,588)	HKD4680-5240 (RM2292 – RM2555)
Suite	RM1299			
Ritz Carlton Suite	RM8000			

Source: www.ritzcarlton.com

Note:

Rates for the above hotels were selected based on room rates on a weekday in May 2005. There may be differences in terms of the packages provided (e.g. with or without breakfast, service tax, etc.).

- (1) Deluxe Executive Level
- (2) With Marina View & Terrace
- (3) Deluxe Club Room

5.7 Market Prospects

The market prospects for hotels in Bukit Bintang area is good given the high occupancies and average room rates this location has been able to command. Hotels in Bukit Bintang area are achieving room rates 23% above the average with annual growth rates of 4% per annum (2000 – 2005). We expect, for the next 2 years, room rates would continue to improve between 3% and 4% per annum, backed by increased tourist arrivals and consumer sentiments prevailing at around the current levels.

Since 2000, the JW Marriott has consistently been performing well in the market (for 4-star and 5-star hotels) both in terms of average room rates as well as average occupancies, not only for Kuala Lumpur but also in the Bukit Bintang area. With the Bukit Bintang area poised to continue its reign as a thriving, bustling entertainment and retail centre, the JW Marriott will undoubtedly be one of the fortunate beneficiaries.

The future prospects for this hotel in the next 2 years should still remain good given its prime location and strong track record.

**BENCHMARKING ANALYSIS
FOR
LOT 10 AND STARHILL SHOPPING CENTRE**

6.0 BENCHMARKING ANALYSIS FOR LOT 10 AND STARHILL SHOPPING CENTRE

6.1 Analysis of the Competing Shopping Centres

This analysis investigates several key elements of YTL's shopping centre i.e. Starhill Shopping Centre and Lot 10 and benchmarked the retail areas against major local malls to see how both Starhill Shopping Centre and Lot 10 compare with them.

The identified local malls are as follows:-

1. Suria KLCC (GT)
2. Mid-Valley Megamall (CBD)
3. 1 Utama Shopping Centre (DA)

The shopping centres identified above are existing premier shopping complexes in the Klang Valley in their own categories, each with their own strengths and opportunities. As can be seen, we have not limited the exercise to centres which are located within the same locality as the subject properties (e.g. Golden Triangle except for Suria KLCC) as we believe that the two other centres which are not city-shopping centres are also competitive to the subject properties (particularly Lot 10, which is targeting the medium market) in view of their vast array of retailers and products.

We have not taken Berjaya Times Square into consideration under this heading as we consider the development is still new in the market and not in the same league with those established shopping centres selected. Sungei Wang Plaza and Bukit Bintang Plaza are two retail centres fetching relatively high capital and rental values, located within the

neighbourhood. Nevertheless, we have excluded the two in our analysis as their target markets are mainly for lower to middle-income groups; thus not comparative to Lot 10 and Starhill Shopping Centre in terms of their catchment market aspect.

Location

Jalan Bukit Bintang, where both Lot 10 and Starhill Shopping Centre are located, is Klang Valley's traditional popular shopping venue and the area remains popular to-date. This area is unique as it caters to all market segments: Sungei Wang Plaza for the teenagers, Lot 10 for the middle and middle-upper and Starhill Shopping Centre for elegance and thus the really niche market. These shopping centres are all within walking distance of each other. The popularity of Jalan Bukit Bintang is also enhanced by the Bintang Walk and Bintang Steps, all adding the experience of seamless connectivity between retail, hotel and F & B services, health and beauty.

Being located at the crossroads of Jalan Sultan Ismail and Jalan Bukit Bintang and at the door step of the KL monorail station, Lot 10 is centrally and strategically located. This is evidenced with the heavy volume of both pedestrian traffic and motor vehicles in the area.

Starhill Shopping Centre on the other hand, which is solely aiming for the upper market shoppers who do not depend on public transport at all, preserves its privacy and exclusivity to the Centre via being at a distance from the monorail. This shopping centre has also the advantage of being within close proximity to Kuala Lumpur luxury hotels i.e. The Ritz Carlton and Residence, The J.W Marriott, The Westin and Regent Hotel, not

mentioning several other hotels along Jalan Imbi, Jalan Sultan Ismail, Jalan Raja Chulan, which represent more than 50% of the 3-star to 5-star hotels in Kuala Lumpur.

Suria KLCC, one of Malaysia's premier shopping destinations, is located within the prestigious 100-acre Kuala Lumpur City Centre (KLCC) development. The centre anchors the world's tallest building, the Petronas Twin Towers. Suria KLCC is surrounded by hotels, office buildings and a scenic 50-acre park. So far, only one of its immediate neighbour is retail in nature, i.e. the newly opened Avenue K. Both centres are targeting for the medium to high-income groups.

1 Utama is located in Bandar Utama, one of the most sought after residential areas in the Klang Valley. It lies along the busy Jalan Damansara, which is the main artery access that either runs past or through four prestigious residential neighbourhoods of Bandar Utama, Taman Tun Dr Ismail, Bangsar and Damansara Heights. The nearest shopping centres in the vicinity and mainly located in the neighbouring development are Mutiara Damansara and Damansara Perdana, but not within walking distance.

Mid-Valley Megamall along Lingkaran Syed Putra is located between Kuala Lumpur and Petaling Jaya. Mid-Valley is not located within either a residential address nor in the heart of the Kuala Lumpur city. The Megamall is, however, located in an integrated project called Midvalley City which includes Signature Offices, office tower, Cititel Hotel and the Boulevard, a 400m pedestrian boulevard with lush landscaping and sidewalk cafes.

In general, we observe that all the other three shopping centres i.e. Suria KLCC, Midvalley and 1 Utama, are mammoth shopping centres on their own right, aiming to provide a one-stop shopping experience to the shoppers. Whilst these centres with their own properly planned tenant mix are able to successfully draw the shopping crowd, Bukit Bintang area is unique in a sense, as the area in totality, is able to offer a unique shopping experience with a variety of retail formats from retailers located on the ground floor, malls, departmental stores and exclusive malls like Starhill Shopping Centre and also is within walking distance.

Catchment Market

Lot 10, Starhill Shopping Centre and Suria KLCC, being located in the GT area, have one thing in common i.e. high concentration of both locals and tourists (both locals and foreign). Whilst the former 2 shopping centres, as described earlier, are located in the unique Jalan Bukit Bintang area which not only houses retailers in various retail formats, the area and the immediate neighbouring areas also accommodates many top class hotels such as JW Marriott, Westin Hotel, The Ritz-Carlton Kuala Lumpur and Ritz-Carlton Residence, The Regent, Parkroyal Kuala Lumpur, Istana Hotel and Mutiara Hotel. Jalan Sultan Ismail is also housing most of Kuala Lumpur's prestigious office buildings, hence providing high immediate catchment market especially during weekdays i.e. the office crowds and also on weekends where entertainment and relaxation are offered.

Suria KLCC, which is located below the world's tallest twin structure, Petronas Twin Tower, has to a lesser extent, in comparison to Bukit Bintang/Sultan Ismail vicinity with some top class hotels in the area, notably the Mandarin Oriental and NIKKO Hotel.

Besides the Twin Tower, other attractions and added boost for Suria KLCC include the nearby 20-hectare park and the upcoming convention center, which will also house an aquarium, the biggest in the region. Being the icon of Malaysia, this development has very high traffic of both locals and foreign tourists.

Mid-Valley Megamall and 1 Utama have successfully become premier suburban shopping centres, but the traffic is mainly locals by virtue of their location. The location of both centres has made both centres mostly sought after but mainly by the locals and outstation visitors.

Accessibility/Public Transport.

Lot 10 and Starhill Shopping Centre are well served by public buses and taxis. In addition, the Bukit Bintang Monorail Station is just at the door step of Lot 10.



Nevertheless, by road, the area is mainly accessible via Jalan Bukit Bintang and Jalan Sultan Ismail (via Jalan Imbi). Jalan Bukit Bintang is usually heavy with traffic, especially during peak hours (after office hours) due to the high concentration of commercial space of all nature i.e. retail, office and hotels within the vicinity and also weekends (night-time) as the area offers attractions and entertainments for locals and tourists.

Suria KLCC, being a well-planned mammoth development, has been planned so that the development is well connected from all parts of the city centre. The whole development of Kuala Lumpur City Centre (KLCC) has easy access from Jalan Kuching, Jalan Ampang, Jalan Sultan Ismail, Jalan Tun Razak and Jalan Ipoh. One can also easily reach KLCC by

numerous public transportations such as Putra LRT (Light-Rail Transit) and KL Monorail in no time. It is also well served by taxis and public buses.

1 Utama is easily accessible by road from the Federal Highway through Section 16 and Section 17 Petaling Jaya, Jalan Damansara and the New Klang Valley Expressway. In terms of public transportation, 1 Utama is served by taxis and public buses but is not connected by rail.

Mid-Valley Megamall is presently serviced by public transportation via the KTM commuter and public buses and trains. There are also feeder buses to and fro the Megamall from the University LRT Station and Bangsar LRT Station.

Tenant Mix/Net Lettable Area

As Starhill Shopping Centre and Lot 10 net lettable areas (NLA) are both about or just under 300,000 sq. ft., the tenant mix is naturally more focused in comparison to the other 3 mega malls, which are over 1,000,000 sq. ft. of NLA.

We noted, however, that Starhill Shopping Centre is aiming to be the hallmark of exclusivity and privacy since it was launched in 1995, which is reflected in its high concentration of luxury products and services.

Lot 10 is, however, more mixed, although the main concentration is still in fashion and apparels for the middle to middle-upper income group. In terms of representation/array of products offered in Lot 10, the centre is competitive and offer comparable choices available at Isetan and others. The tenant mix of the benchmarked shopping centres i.e Suria KLCC, Mid-Valley Megamall and 1 Utama Shopping Centre and the subject properties are shown in the following table:

TYPE OF TENANTS	Lot 10	Starhill Shopping Centre	Suria KLCC	Mid-Valley Megamall	1 Utama
Departmental Stores	1		3	2	2
Hypermarket	0		0	1	0
Supermarket	1		2	1	2
Junior Anchors				11	
Accessories	10		18	16	8
Apparel	44	26 ⁽¹⁾	86	86	160
Discounters	0		0	2	0
Entertainment	0		3	4	3
Exhibition	0	1 ⁽²⁾	1	2	0
Food	7	6	49	71	109
Foodcourt/ Dedicated food floor	1 centre	⁽³⁾	2 centres	3 centres	1 centre
Health /Personal Care	2	1	6	24	45
Hotel	0		0	1	0
Houseware & Furnishings	4	4	12	31	19
Information Technology	5		9	13	11
Leisure	3	9	32	37	65
Luggage	1		8	4	2
Shoes	1	2	14	16	16
Sporting Goods		1	3	14	13
Sundry & Services	17	4	39	39	51
Tailoring	0		1	2	2
Textile	0		1	2	0
Watches, Pens & Jewellery	7	12	23	16	22
Others					8

Note

(1) Apparel includes leather goods & fashion

(2) Starhill Conference Centre

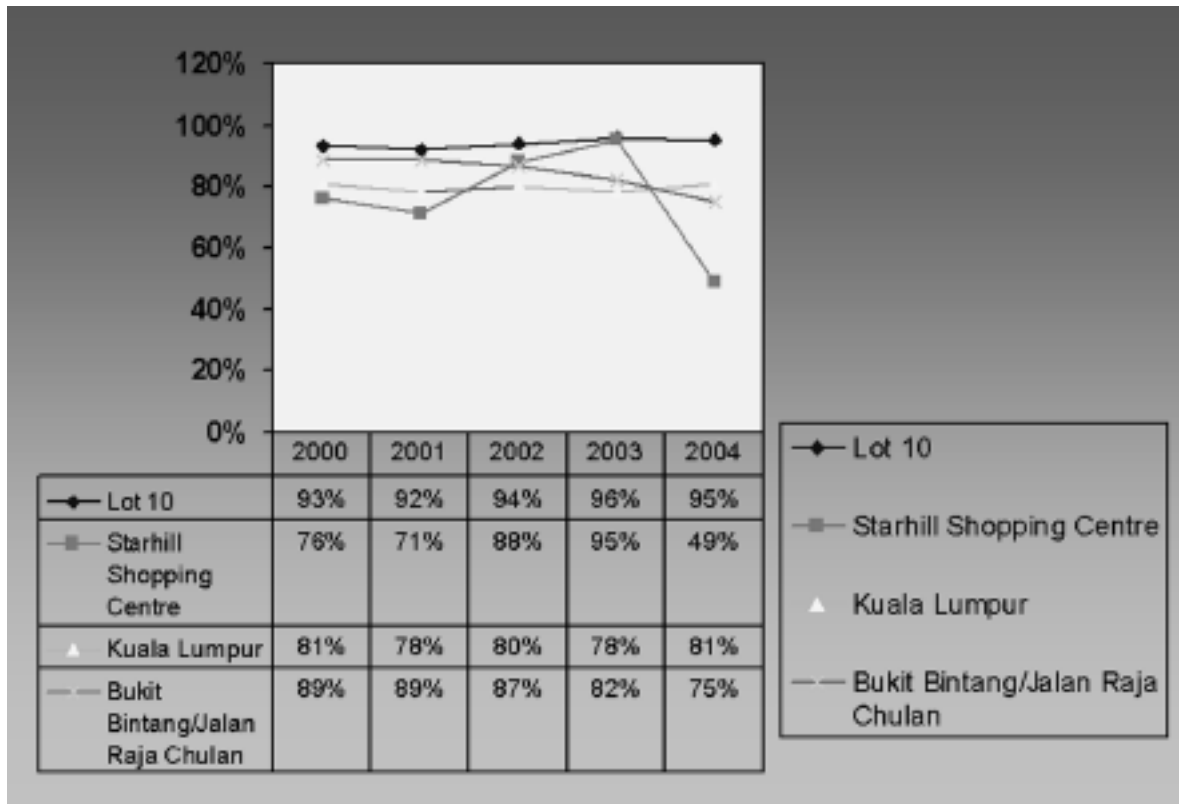
(3) For Starhill Shopping Centre, there is no food court but a dedicated floor for fine dining/lounge.

(Source: Henry Butcher Malaysia)

All the other 3 mega malls are drawing the crowds with choices on both products and services. All 3 malls are aiming to provide everything under one roof but the target market is not clearly defined and mixed. Suria KLCC for instance, has a wide array of tenants mix thus attracted a wide range of shoppers and therefore, it lacks exclusivity and privacy for those shoppers who are looking for luxury branded products.

Shoppers in Bukit Bintang, as a whole, are also spoilt with choice, as the different shopping centres in the area are targeting at different target markets. By having the different shopping malls all lined up within the same street but under different roofs, the crowd in the different malls are distinctly different as the malls are offering/targeting different levels of retail goods. The shopping experience in Bukit Bintang as a whole is however, complete with the wide array of retail outlets.

Occupancy



(Source: JPPH, Property Market Reports, YTL Land Sdn. Bhd.)

In view of lack of official data on the occupancy trends of the other selected shopping centres, we have benchmarked the occupancy levels of the subject properties to the official data released by the JPPH for the selected areas i.e. Bukit Bintang/Jalan Bukit Bintang in particular, and Kuala Lumpur in general.

As can be seen from the above chart, Lot 10 has been achieving above 90% occupancy since 2000. This is seen to be consistently above the average occupancy achieved by shopping centres in Bukit Bintang/Raja Chulan area and Kuala Lumpur in general. This shows that Lot 10 continued to be one of the premier shopping centres in the locality.

Being located at the further end of Jalan Bukit Bintang, Starhill Shopping Centre is, however, experiencing lower occupancy with only above 70% in 2000 – 2001 period which is much below the average occupancy achieved by shopping centres in Jalan Bukit Bintang/Raja Chulan of 89% for both years. Its performance improved dramatically within 2002 – 2003 period but the closure of its anchor tenant Tangs in 2004 resulted in the sudden drop in occupancy for the whole shopping centre to 49%. Nevertheless, should the area occupied by Tangs was to be excluded from the occupancy analysis, the shopping centre is still achieving a respectable 86% occupancy.

For 2005, the occupancy for Starhill Shopping Centre is estimated to be 100% (including the former Tangs) and this is due largely to its refurbishment and re-branding exercise, which promises to recreate Starhill Shopping Centre as a unique shopping haven.

Rental Rates

Analysis of rental rates at Lot 10 shows that this shopping centre, when benchmarked against Suria KLCC, has achieved significantly higher rents compared to Suria KLCC for most years and for most of the floors. Amongst all the shopping centres, Lot 10's rents are recorded to be above the market rents.

As for Starhill Shopping Centre, which provides a different type of shopping experience, the rental rates are still commendable and is not far below Lot 10's rental levels (except for the upper floors which cater to a different type of retail activity). The latest rent shows that for the prime floors (ground and upper ground), Starhill Shopping Centre's rents are better compared to Suria KLCC's.

Based on the description above, we have summarised in the table below, the key elements of the competitive developments and comparing them with Starhill Shopping Centre Shopping Centre and Lot 10. In the following table, we have weighted the key elements in a rating system to enable us to rate the two shopping centres in relation to the other premier shopping centres.

Shopping Centre	NLA (sq. ft.)	Developer/ Owner	Description	Strengths and Weaknesses vs Subject Property
Suria KLCC	1 mill	Suria KLCC Sdn. Bhd.	<p>Located below the world tallest twin structure Petronas Twin Towers. The KLCC development is a massive and prestigious mixed development. Hence, it attracts prestigious occupiers from its other components such as the office components.</p> <p>Properties along Jalan Ampang, Jalan Pinang and Jalan Yap Kwan Seng, to name a few, are also benefiting positively by virtue of being near the icon.</p>	<p>Being located within the icon development, Suria naturally enjoys high traffic of locals, outstation visitors and foreign tourists.</p> <p>In terms of access, Suria is also more accessible by road and public transport (especially the rail).</p> <p>The extensive tenant mix within Suria will be able to attract shoppers who are interested to find all goods and services under one roof. However, Suria could not offer the same privacy and exclusivity that Starhill Shopping Centre Shopping Centre will be able to.</p> <p>The strength of both subject properties, however, is being located in Bukit Bintang, amidst the benchmarked Bintang Walk of which its popularity is growing more than ever.</p>

Shopping Centre	NLA (sq. ft.)	Developer/ Owner	Description	Strengths and Weaknesses vs Subject Property
Mid-Valley Megamall.	1.4 mill	IGB	Mid-Valley Megamall, is between Kuala Lumpur and Petaling Jaya. The Megamall is, however, located in an integrated project called Mid-Valley City which includes Signature Offices, office tower, Cititel Hotel and the Boulevard, a 400m pedestrian boulevard with lush landscaping and sidewalk cafes.	<p>Main strength of the Megamall lies in its extensive tenant mix. With such a mix bag ranging from anchor tenants which include a hypermarket to a few junior anchors, this mall attracts the locals and middle market.</p> <p>Access to the mall is poor with perpetual traffic jams. The nearest rail serving the mall i.e. the KTM commuter is also not as regular and punctual as the LRTs or monorail.</p>
1 Utama	2 mill	See Hoy Chan	Located within one of the affluent neighbourhood in Klang Valley and along the busy Jalan Damansara which is the main artery that either runs past or through four prestigious residential neighbourhoods Bandar Utama, Taman Tun Dr Ismail, Bangsar and Damansara Heights.	<p>This mall is considered one of the top malls within a residential area. Unlike more neighbourhood malls which are housing the "day to day" needs, this mall is also catering to the more glamorous needs with some of its upmarket tenants. With the extension, 1 Utama has an extensive tenant mix.</p> <p>Being a suburban shopping mall, the catchment market is rather limited to locals and outstation visitors. Its location also lacks the synergy Bukit Bintang has.</p>

(Source: Henry Butcher Malaysia)

Benchmarking Analysis

	Lot 10	Starhill Shopping Centre Shopping Centre	Suria KLCC	Mid-Valley Megamall	1 Utama
Location (10 - Full Rating)	10	10	10	6	6
Catchment Market (10 = Full Rating)	10	10	10	7	7
Accessibility (10 = Full Rating)	7	7	10	3	3
Public Transport (5 = Full Rating)	4	4	4	2	1
Tenant Mix (8 = Full Rating)	6	3	8	8	8
TOTAL (43 = Full Marks)	37	34	42	26	25

(Source: Henry Butcher Malaysia)

6.2 Review of Lot 10

Key Strengths and Opportunities

Based on our benchmarking analysis above, we view that Lot 10 is second after Suria KLCC, mainly by virtue of its locality and catchment market. Both 1 Utama and Mid-Valley Megamall are high on the list for tenant mix but lose out in terms of location and accessibility.

Location

Being located at the junction of Bukit Bintang and Jalan Sultan Ismail is very strategic and with high visibility. This junction is heavy with traffic flow. The Bintang Walk is a good synergy and a pull-factor for the location. Bukit Bintang and Bintang Walk are the 'must see & must go' shopping destination for tourists, both local and overseas.

The bridge linking Lot 10 to the popular Sungei Wang Plaza (which is linked to Bukit Bintang Plaza) also provides good traffic flow to the area.

With the completion of the Pavilion project, the Bukit Bintang area (in totality) will remain as the most-sought after for those seeking the "glamorous" shopping destination and also the al fresco dining. In view of lack of prime and centralised developable area in this vicinity, Lot 10 will remain one of the premier and strategically located centre for this vicinity. Most of the new developments are seen to be at the fringe/border of the heart of Bukit Bintang.

Catchment Market

As mentioned, Bukit Bintang is popular amongst the locals and tourists (local and overseas). Large tourists and office crowds are also sourced from the surrounding hotels and offices within the Bukit Bintang/Jalan Raja Chulan and Jalan Sultan Ismail vicinity.

Access/Public Transport

Availability of monorail station and public buses and taxis at its door step (along Jalan Sultan Ismail entrance) is a boon to the project. Ample car parking, as well as friendly ramps upwards to the car parks, also is an added advantage to the centre.

One Ownership

Being one of the 5 properties (Lot 10, Starhill Shopping Centre, JW Marriott, The Ritz-Carlton Kuala Lumpur and Bangunan YTL) under the ownership of YTL Group, Lot 10 is ensured of regular upkeep and branding to change with time and consumer's taste.

Although its current small size might refrain this centre from providing occupancy to more retailers/tenants under one roof, its strategic location and interlinks with other retail offerings in the Bukit Bintang area provide choices for its shoppers.

6.3 Review of Starhill Shopping Centre

Key Strengths and Opportunities

Based on our benchmarking analysis above, we view that Starhill Shopping Centre is ahead in the category of the growing luxury brand retailers.

Location

Starhill Shopping Centre currently benefits by being in the Bukit Bintang vicinity. It will further benefit from completion of the Pavilion which will provide an additional draw to this area as a shopping haven.

Catchment Market

As mentioned earlier, Bukit Bintang is popular amongst the locals and tourists. Nevertheless, in view of the limited range of product offerings in the shopping mall, which caters for the upper market, the traffic flow to the mall is limited, not by virtue of inaccessibility but due to the niche market it is aiming.

Exclusivity

Exclusivity, stylish, luxury and privacy is the niche Starhill Shopping Centre is aiming for. Unlike Suria KLCC and 1 Utama to a certain extent, the customer profile is so mixed as the retailers in these malls are catering to a mix crowd unlike Starhill Shopping Centre, which is more focused. It will house one of the world's largest collection of exclusive luxury watch brands. Being within close proximity to luxury hotels i.e. JW Marriott, Ritz-Carlton Hotel and Residence provides excellent synergy to this Centre as the hotel guests formed an immediate catchment market for the Centre.

One Ownership

As with Lot 10, being one of the 5 properties under the ownership of YTL Group, the mall is always well maintained.

6.4 Conclusion

In conclusion, both Lot 10 and Starhill Shopping Centre are comparable with premier malls like Suria KLCC, and lose out only in respect of size and, therefore, range of retail offerings. However, the mammoth shopping complexes on the other hand, have to compromise on their rental rates offered to their anchor and mini anchor tenants, which is not the case for both Lot 10 and Starhill Shopping Centre. In addition having to rely heavily on the attraction of providing everything under the same roof, many of these mega shopping centres have to rationalise the tenant mix to attract new and to maintain existing shoppers.

Lot 10 and Starhill Shopping Centre on the other hand, have the major locational advantage of being located in the prime Bukit Bintang area, which continues to attract super regional population catchments. Bukit Bintang, and this particular location, has been enhanced and given an added impetus by Bintang Walk, which provides an experience of seamless connectivity between retail, hotel, food and beverage (F & B), health and beauty. Without doubt, Bukit Bintang and this particular location is considered the most popular and trendiest shopping street in the city.

As for the office sector, the market prospect for purpose-built offices for the next 2 years is expected to be well occupied (3% - 5% per annum growth), coupled with improved rental rates (1% - 2% per annum).

With regards to JW Marriott Hotel, its average room-rates and average occupancy have consistently been out-performing the market. Increased tourist arrivals and consumer sentiments are two of the elements contributing to the positive growth of the property and the hotel sector as a whole.

Yours faithfully
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Date: 17 May 2005