

**AMINVESTMENT GROUP BERHAD  
c/o AMFIRST REIT**

**PROPERTY MARKET REPORT ON  
THE OFFICE SECTOR IN KLANG VALLEY**

**FINAL REPORT**

**May 2006**

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## **TABLE OF CONTENTS**

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### **CHAPTER 1: INTRODUCTION**

1.1	TERMS OF REFERENCE	1
1.2	SCOPE OF WORK	1
1.3	STUDY AREA	1
1.4	DEFINITION	3
1.5	LIMITATIONS	3

### **CHAPTER 2: BRIEF OVERVIEW OF THE NATIONAL AND STATE ECONOMIC PERFORMANCE**

2.1	THE MALAYSIAN ECONOMY	4
2.2	THE FEDERAL TERRITORY OF KUALA LUMPUR ECONOMY	6
2.3	THE SELANGOR STATE ECONOMY	7
2.4	PROPERTY MARKET CYCLE	8

### **CHAPTER 3: KLANG VALLEY OFFICE MARKET**

3.1	SUPPLY	10
	3.1.1 EXISTING SUPPLY	10
	3.1.2 FUTURE SUPPLY	13
3.2	DEMAND	15
	3.2.1 OCCUPANCY RATES	15
	3.2.2 TAKE-UP	18
3.3	OFFICE INVESTMENT	20
	3.3.1 OFFICE TRANSACTIONS	20
	3.3.2 RENT, CAPITAL VALUE AND YIELD	23
3.4	MARKET OUTLOOK	25

### **CHAPTER 4: KUALA LUMPUR CENTRAL AREA OFFICE MARKET**

4.1	SUPPLY	27
	4.1.1 EXISTING SUPPLY	27
	4.1.2 FUTURE SUPPLY	29
4.2	DEMAND	30
	4.2.1 OCCUPANCY RATES & TAKE-UP	30
4.3	MARKET OUTLOOK	31

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## TABLE OF CONTENTS

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### CHAPTER 5: PETALING JAYA OFFICE MARKET

5.1	SUPPLY	32
5.1.1	EXISTING SUPPLY	32
5.1.2	FUTURE SUPPLY	33
5.2	DEMAND	34
5.2.1	OCCUPANCY RATES & TAKE-UP	34
5.3	MARKET OUTLOOK	35

### CHAPTER 6: GENERAL COMMENTARY ON AMFIRST REIT PROPERTIES

6.1	BANGUNAN AMBANK GROUP	36
6.1.1	SITUATION	36
6.1.2	BUILDING	36
6.1.3	TENANCY PROFILE	37
6.1.4	OCCUPANCY RATE	37
6.1.5	RENTS	37
6.1.6	COMMENTARY	38
6.2	MENARA AMBANK	39
6.2.1	SITUATION	39
6.2.2	BUILDING	39
6.2.3	TENANCY PROFILE	40
6.2.4	OCCUPANCY RATE	40
6.2.5	RENTS	40
6.2.6	COMMENTARY	41
6.3	AMBANK GROUP LEADERSHIP CENTRE	42
6.3.1	SITUATION	42
6.3.2	BUILDING	42
6.3.3	TENANCY PROFILE	43
6.3.4	OCCUPANCY RATE	43
6.3.5	RENTS	44
6.3.6	COMMENTARY	44
6.4	MENARA MERAIS	45
6.4.1	SITUATION	45
6.4.2	BUILDING	46
6.4.3	TENANCY PROFILE	46
6.4.4	OCCUPANCY RATE	47
6.4.5	RENTS	47
6.4.6	COMMENTARY	47

## **CHAPTER 1: INTRODUCTION**

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### **1.1 TERMS OF REFERENCE**

C H Williams Talhar & Wong Sdn Bhd have been commissioned by **AmInvestment Group Berhad c/o AmFIRST REIT** to carry out a **Market Assessment of the Purpose-Built Office Sector in Klang Valley, Malaysia.**

### **1.2 SCOPE OF WORK**

Our Scope of Work is as follows:

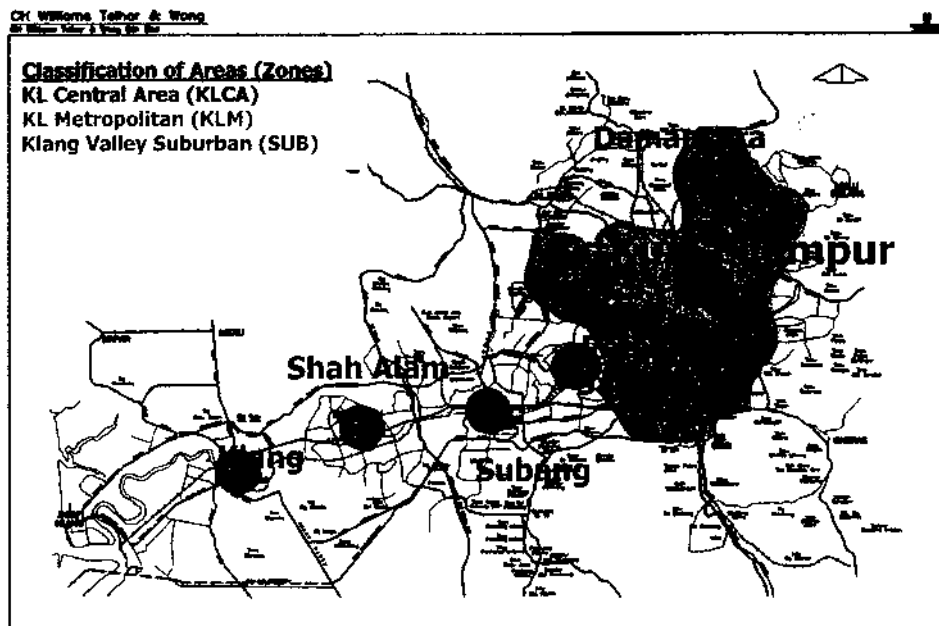
- 1.2.1 A geographical description of the study area.
- 1.2.2 A general overview of the Malaysian and State (Kuala Lumpur & Selangor) economy and property market cycle.
- 1.2.3 An observation of possible competitors – REITs in the study area.
- 1.2.4 A general overview of the purpose-built office market in the study area. This will include:
  - Current & known future supply
  - Demand trends (including vacancy rates, prime rents, prime capital values and yield) over the past 5 years and 1 year forecast
  - 1-3 year market outlook

### **1.3 STUDY AREA**

The study area is defined as the Klang Valley Office Zones comprising Kuala Lumpur, Petaling Jaya, Subang Jaya, Shah Alam and Klang. The locations of these office zones are illustrated below:

1.3 STUDY AREA (CONT'D)

Illustration 1 : Office Zones in Klang Valley



- Notes : 1) KLCA: Kuala Lumpur Central Area  
 2) KLM: Kuala Lumpur Metropolitan  
 3) KL: Kuala Lumpur = KLCA + KLM  
 4) SUB: Klang Valley Suburban  
 5) KV: Klang Valley = KL + SUB

Source: WTW Research, May 2006

The office zones as shown above are defined as follows:

Zone	Terminology	Description
KLCA	Kuala Lumpur Central Area	Areas bounded by Jalan Tun Razak (include the frontage lots on both sides), Jalan Tun Ismail, Jalan Kuching Jalan Kinabalu/Jalan Sultan Hishamuddin, Jalan Damansara, Jalan Istana, Jalan Wisma Putra, Jalan Loke Yew.
KLM	Kuala Lumpur Metropolitan	Comprises major suburban areas located within and surrounding of Kuala Lumpur city area and Damansara Business District (DBD) <sup>1</sup> which is outside KLCA within Federal Territory of Kuala Lumpur.
SUB	Klang Valley Suburban <sup>2</sup>	Areas under the jurisdiction of the Municipal Councils of Petaling Jaya, Subang Jaya, Shah Alam and Klang.

Note: <sup>1</sup> With the exception of Taman Tun Dr. Ismail where it is categorized as Outer Kuala Lumpur under Petaling Jaya due to its proximity to the commercial areas of PJ Northern area.

<sup>2</sup> Suburban refers to towns and small cities within the outskirts of Kuala Lumpur, but within the Klang Valley vicinity.

Source: WTW Research, May 2006

## **1.4 DEFINITION**

The market sector covered in this study is Purpose-Built Offices.

Purpose-built offices in the Klang Valley may be defined as private modern and free standing high rise buildings having more than 100,000 sq ft net floor area, with present day conveniences and amenities and adequate car parking facilities for tenants / visitors and aged not more than 30 years.

For the purpose of this study, WTW has further identified 3 types of purpose-built offices which are generally defined further as:

"Grade A / Premium A" purpose-built offices: Refer to high quality modern space, largely column free and includes recent generation of building services and amenities. These buildings are situated in prime location and possibly in major suburban towns.

"Grade B" purpose-built offices: Generally referred to as reasonably good quality modern space situated anywhere in Klang Valley.

"Grade C" purpose-built offices: Comprise usually older buildings or buildings offering good quality modern space situated anywhere in Klang Valley.

## **1.5 LIMITATIONS**

Our findings contained herein is based on information made available to us at the time of our survey and have been derived from sources which we believe to be reliable. As such, we cannot guarantee its accuracy or completeness. No liability can be accepted for any loss arising from the use of this report. All opinions and estimates expressed herein reflect our judgment as of this date and are subject to change without notice. Our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

Our findings contained herein is based on the assumptions that United States and ASIAN countries continued to enjoy favourable economic growth.

## **CHAPTER 2: BRIEF OVERVIEW OF THE NATIONAL AND STATE ECONOMIC PERFORMANCE**

### **2.1 THE MALAYSIAN ECONOMY**

The Malaysian economy has performed remarkably well from 1990-1997 at an average growth rate of 8.7%. However, the growth momentum was disrupted by the severe economic contraction in 1998 arising from the East Asian financial and economic crisis with Malaysia's GDP recording a negative growth rate of 7.4% in 1998. Efforts by the government to resuscitate the economy starting from mid-1998 succeeded in generating a GDP growth of 6.1% and 8.9% in 1999 and 2000 respectively.

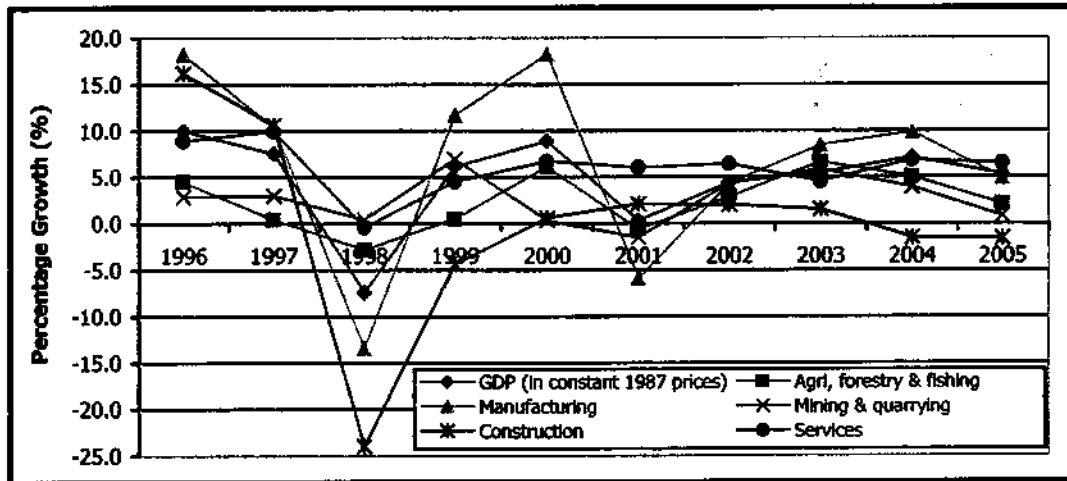
In the years 2001 to 2004, the Malaysian economy recorded a creditable performance despite the volatility in the global economy as well as uncertainties arising from international terrorism and the outbreak of the Severe Acute Respiratory Syndrome (SARS). From a GDP growth rate of only 0.3% in 2001, the Malaysian economy recovered strongly to register growth rates of 4.4% and 5.4% in 2002 and 2003 respectively. In 2004, the Malaysian economy registered a GDP growth rate of 7.1% on the strong performance of manufacturing and services sectors.

After growing by an impressive 7.1% in 2004, the Malaysian economy moderated in 2005. Although the quarterly GDP growth has slowed from 5.8% in first quarter 2005 to 4.4% in second quarter 2005, the economy regained some momentum with a 5.3% growth in third quarter 2005. Furthermore, the economy expanded at a strong growth rate of 5.2% in fourth quarter 2005. Driven by private consumption, the services sector grew briskly, more than offsetting the weakness in the manufacturing sector. A strong upturn in exports, particularly it being a net oil exporter has provided added support to domestic private sector activities. On the back of a highly diversified economic structure together with the combination of strong domestic demand and exports, the Malaysian economy recorded a growth rate of 5.3% in the 2005.

Prospects for the Malaysian economy growth in 2006 are expected to be strong. Of significance, the outlook for global economic growth remains sound and would be driven by the upturn in the global investment as well as the recovery of the global electronics cycle. Commodity prices have also shown signs of remaining firm. On balance, the Malaysian economy would benefit from the rebound in electronics, firm commodity prices and a resilient domestic demand. Under these conditions, Malaysian GDP growth rate could edge up to 6.0% in 2006. (Source: *Bank Negara Malaysia*)

2.1 THE MALAYSIAN ECONOMY (CONT'D)

Sectoral Growth of the Malaysian Economy (From 1996 to 2005)



Source: Bank Negara Malaysia, 1996 - 2005



## 2.2 THE FEDERAL TERRITORY OF KUALA LUMPUR ECONOMY

The economic performance in Kuala Lumpur for the years 1995, 2000 and 2005 (as presented below is extracted from Ninth Malaysia Plan.

The GDP for Kuala Lumpur has increased from RM21,157 million in 1995 to RM25,968 million in 2000, at an average annual growth rate of 4.2%. The GDP for Kuala Lumpur increased to RM30,146 million in 2005 and is estimated to achieve RM40,533 million in 2010. The following table shows the GDP for Kuala Lumpur for the period of 1995 to 2010:

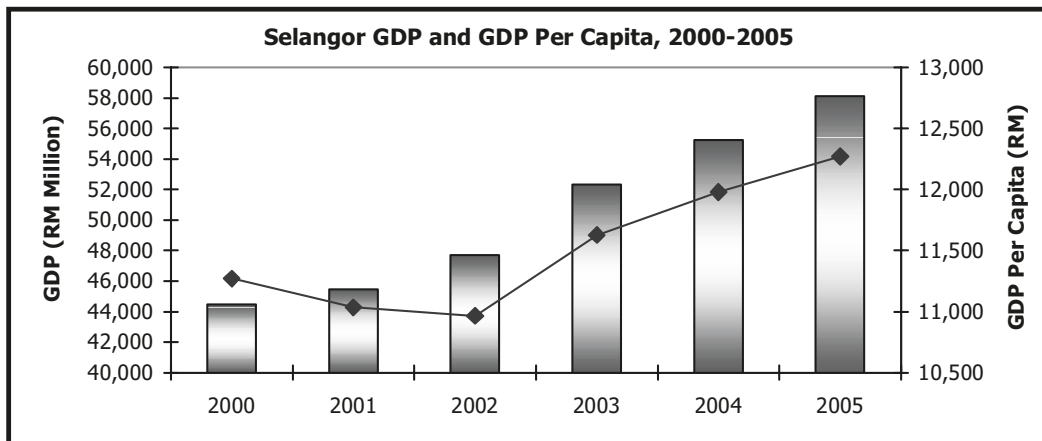
State	GDP (RM million)				Average Annual Growth Rate (%)		
	1995	2000	2005	2010 *	1995-2000	2000-2005	2005-2010 *
Federal Territory of Kuala Lumpur	21,157	25,968	30,146	40,533	4.2	3.8	6.1

Note: \* Estimate

Source: Ninth Malaysia Plan, 2005 – 2010 and WTW Research, May 2006

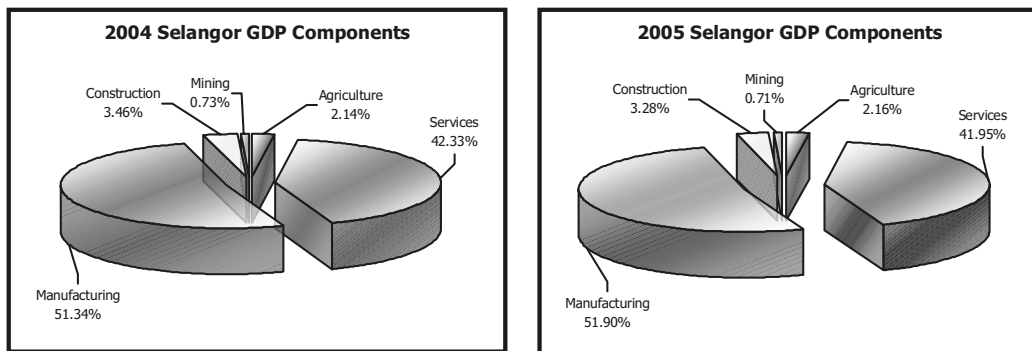
### 2.3 THE SELANGOR STATE ECONOMY

The following section looks at the performance of the state of Selangor for the years 2000-2005. The GDP per capita in the state of Selangor recorded an increase of 2.4% from RM11,977.8 in 2004 to RM12,269.8 in 2005. The state of Selangor registered a GDP growth of 5.2% from RM55,264.2 million in 2004 to RM58,110.8 million in 2005. The following chart shows the GDP and GDP per capita for Selangor in 2000-2005.



Source: Selangor State Investment Centre, 2000-2005

The following charts show the contribution of each economic sector to the state's GDP in 2004 and 2005 :

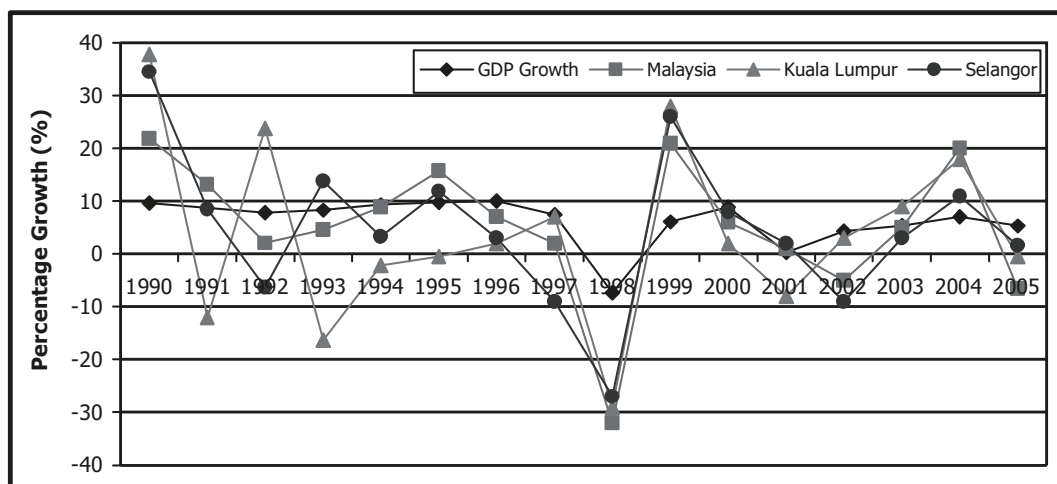


Source: Selangor State Investment Centre, 2000-2005

The major contributor to the state's GDP was the manufacturing sector contributing about 51.34% in 2004 and increased slightly to about 51.90% in 2005. The manufacturing sector generated a turnover of RM31,672.1 million in 2005. The second largest contributor to the state's GDP was the services sector contributing of about 41.95%, which generated RM25,603.2 million in 2005. In terms of GDP components, the agriculture sector, mining sector and construction sector contributed about 2.16%, 0.71% and 3.28% respectively in 2005.

## 2.4 PROPERTY MARKET CYCLE

The following chart shows the percentage change in the volume of transactions for Malaysia, Selangor and Federal Territory of Kuala Lumpur versus the Malaysia's GDP growth for the period of 1990 - 2005:



Source: Bank Negara Malaysia, 1990 – 2005 and Property Market Report, 1990 – 2005

The Malaysian economy has performed remarkably well from 1990-1997 at an average growth rate of 8.7%. The year 1990-1997 could be considered as the property boom period as the total volume of transactions in Malaysia recorded by the Valuation and Property Services Departments, Ministry of Finance were increasing annually from 165,272 transactions in 1990 to 275,328 transactions in 1997. Additionally, during the property boom period of 1990-1996, it is observed that the prime office spaces in Klang Valley enjoyed high occupancy rates of between 91%-94%.

However, the GDP growth momentum was disrupted by the severe economic contraction in 1998 arising from the East Asian financial and economic crisis with Malaysia's GDP recording a negative growth rate of 7.4% in 1998. Similarly, the total volume of transactions in Malaysia decrease significantly at 32.4% from 275,328 transactions in 1997 to 186,077 transactions in 1998. The declining situation was also observed in the performance of office space in Klang Valley whereas average occupancy rate is observed to dip from 91% in 1996 prior to the economic crisis to 77% in 1997. During the financial crisis in 1998, occupancy rate remained low at 77%.

Efforts by the government to resuscitate the economy starting from mid-1998 succeeded in generating a GDP growth of 6.1% and 8.9% in 1999 and 2000 respectively. This is matched with the improved total volume of transactions in Malaysia as well as the improvement in performance of office space in Klang Valley.

## **2.4 PROPERTY MARKET CYCLE (CONT'D)**

In year 2001, Malaysia's GDP recorded a growth rate of only 0.3% as a result the volatility in the global economy. Hence, the total volume of transactions in Malaysia slowed down as well in 2002 registering a negative growth rate of 5%. Performance of office space in Klang Valley is also observed at a low occupancy rate of 76% in 2001 and 2002 respectively.

Despite the uncertainties arising from international terrorism and the outbreak of the Severe Acute Respiratory Syndrome (SARS), the Malaysian economy continued to register strong growth rates of 4.4%, 5.4% and 7.1% in 2002, 2003 and 2004 respectively. On the back of strong economy performance, the total volume of transactions in Malaysia are also noted to have increased from 231,394 transactions in 2002 to 243,376 transactions and 293,212 transactions in 2003 and 2004 respectively. In terms of the performance of office space, the occupancy rate of prime office buildings in Klang Valley has improved, registering 80% and 82% in 2003 and 2004 respectively.

After growing by an impressive growth of 7.1% in 2004, the Malaysian economy moderated with a recorded growth rate of 5.3% in 2005. The total volume and value of transactions is also noted to slow down registering 276,508 transactions at RM56,781.72 million in 2005. However, Klang Valley office market is still on an upward trend with the average occupancy rate recording 84% in 2005.

Prospects for the Malaysian economy growth in 2006 are expected to be strong with the GDP growth rate estimated to edge up to 6.0% in 2006. However, due to the concerns of the further increases in interest rates, petrol prices as well as electricity tariffs, the general property market is unlikely to be buoyant in 2006. However, interests shown by institutional investors / property funds both local and foreign would provide the impetus and most likely compress yields further, as quality investment properties continued to be much sought after.

## **CHAPTER 3: KLANG VALLEY OFFICE MARKET**

### **3.1 SUPPLY**

#### **3.1.1 Existing Supply**

In the property boom of 1993-1997 prior to the economic recession of 1997/1998, the numbers of office buildings completed in Klang Valley were numerous. From 1993 to 1997, there were 71 new office buildings being completed in Klang Valley (KV) contributing approximately 19.90 million sq ft adding the total cumulative supply of office space in Klang Valley for year 1997 at 42.25 million sq ft. Grade A office spaces make up of 35.5% of office buildings being completed in Klang Valley between 1993 to 1997. In 1999, a freeze on the construction of new office buildings was imposed by the Kuala Lumpur City Hall following an oversupply situation for office buildings in Kuala Lumpur. As a result of the freeze on the construction of new office buildings, the spillover from the previous property boom appears to be tapering off.

In 2004, the overall office space in Klang Valley stood at about 60.15 million sq ft with the completion of two new Grade A office buildings contributing about 470,000 sq ft. The cumulative supply of Grade A office space in the Klang Valley stood at about 25.70 million sq ft (42.7% of total supply in KV) in 2004. In 2005, with the completion of only four new Grade A office buildings, i.e. Menara OCBC, Menara See Hoy Chan, Menara Marinara and Plaza Cygal Tower 1, contributing approximately 1.0 million sq ft, the cumulative supply of office space in Klang Valley amount to about 61.10 million sq ft. The Kuala Lumpur (KL) market contributed about 51.56 million sq ft or about 84.4% of the total supply, whilst cumulative supply in the KV suburban area (SUB) stood at about 9.54 million sq ft or about 15.6% of the total supply. The cumulative supply of office space in Klang Valley remained unchanged at 61.10 million sq ft as at first quarter 2006.

As at first quarter 2006, the Kuala Lumpur Central Area (KLCA) continues to be the major contributor of office space in the KV, with approximately 36.77 million sq ft or about 60.2% of the total office space in KV. The cumulative supply in the Kuala Lumpur Metropolitan (KLM) and Klang Valley Suburban stood at about 14.79 million sq ft (24.2% of total supply in KV) and 9.54 million sq ft (15.6% of total supply in KV) respectively.

In terms of the dispersion of Grade A office space in Klang Valley, the cumulative supply of Grade A office space in Klang Valley stood at 26.65 million sq ft (43.6% of total supply in KV) as at first quarter 2006. The bulk of Grade A office space is distributed between KLCA with 16.58 million sq ft or 27.1% of total supply in Klang Valley, followed by KLM with 5.87 million sq ft (9.6% of total supply in KV) and SUB with 4.2 million sq ft (6.9% of the total supply in KV) respectively.

## 17. Property Market Report on the Office Sector in Klang Valley (Cont'd)

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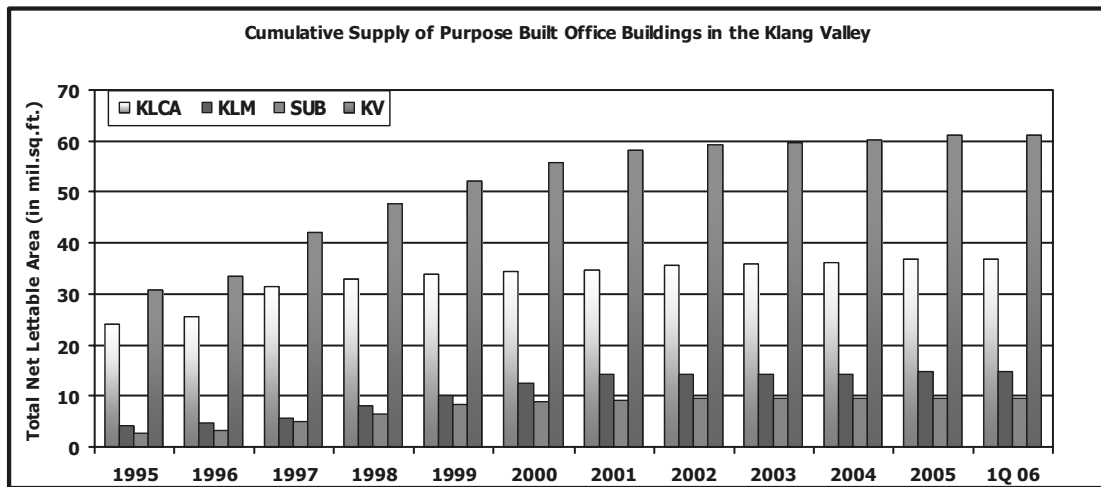


### 3.1 SUPPLY (CONT'D)

#### 3.1.1 Existing Supply (Cont'd)

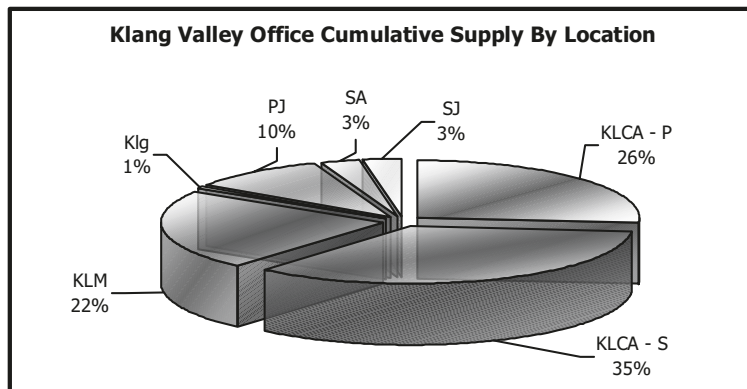
The distribution of cumulative supply of office space in Klang Valley is depicted in the chart as follows:

Klang Valley Purpose-Built Offices – Cumulative Supply (From 1995 to 1Q 2006)



Source: WTW Research, May 2006

The following charts show the distribution of cumulative supply of office space in Klang Valley by location as at first quarter 2006:



Note: KLCA - P: Kuala Lumpur Central Area - Prime  
 KLCA - S: Kuala Lumpur Central Area - Secondary  
 KLM: Kuala Lumpur Metropolitan  
 Klg: Klang  
 PJ: Petaling Jaya  
 SA: Shah Alam  
 SJ: Subang Jaya

Source: WTW Research, May 2006

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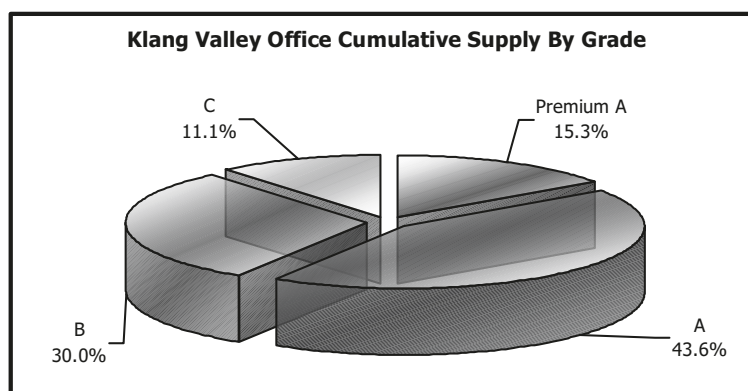
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### 3.1 SUPPLY (CONT'D)

#### 3.1.1 Existing Supply (Cont'd)

The following charts show the distribution of cumulative supply of office space in Klang Valley by grading as at first quarter 2006:



Note: WTW's grading

Source: WTW Research, May 2006

## 17. Property Market Report on the Office Sector in Klang Valley (Cont'd)

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### 3.1 SUPPLY (CONT'D)

#### 3.1.2 Future Supply

In the next 3 years, a total of 3,980,300 sq ft of office space is expected to be completed in Klang Valley resulting in a cumulative supply of office space in Klang Valley of 65.1 million sq ft by end of 2009. By end of 2006 and 2007, the future supply of office space in Klang Valley is expected to amount to about 1,264,800 sq ft (31.8% of total future supply) and 1,226,200 sq ft (30.8% of total future supply) respectively. Whilst additional 1,189,300 sq ft (29.9% of total future supply) and 300,000 sq ft (7.5% of total future supply) of office space are expected to be completed by end 2008 and 2009 respectively.

In terms of location, 960,400 sq ft (24.1% of the future supply) of office space is located within KLCA while 1,830,600 sq ft (46.0% of the future supply) and 1,189,300 sq ft (29.9% of the future supply) of office spaces are located within KLM and SUB respectively. It is noted that future supply of office spaces located in KLCA are zoned in the secondary area whilst those located in SUB are zoned in the Petaling Jaya area.

These purpose-built offices that are expected to be completed between 2006 and 2009 are as follows:

Name of Building	Zone	Sub-Zone	Net Lettable Area (sq ft)	Completion Year Ending	Status
Menara LTAT	KLCA	Secondary	330,400	2006	Pending CFO*
Plaza Cygal - Tower 2		KLM	280,600	2006	Under Construction
Plaza Sentral - Blocks 1 & 2		KLM	653,800	2006	Pending CFO*
KL Sentral - Lot N		KLM	351,000	2007	Under Construction
TSH Tower		KLM	125,200	2007	Under Construction
Centrepont - North & South		KLM	420,000	2007	Under Construction
Bandar Utama Office Complex	SUB	PJ	330,000	2007	Under Construction
Menara Commerce	KLCA	Secondary	630,000	2008	Under Construction
Menara UAC	SUB	PJ	141,300	2008	Under Construction
PJ Eight	SUB	PJ	418,000	2008	Under Construction
Petaling Jaya Exchange	SUB	PJ	300,000	2009	Launched

Note: \* CFO - Certificate of Fitness for Occupation

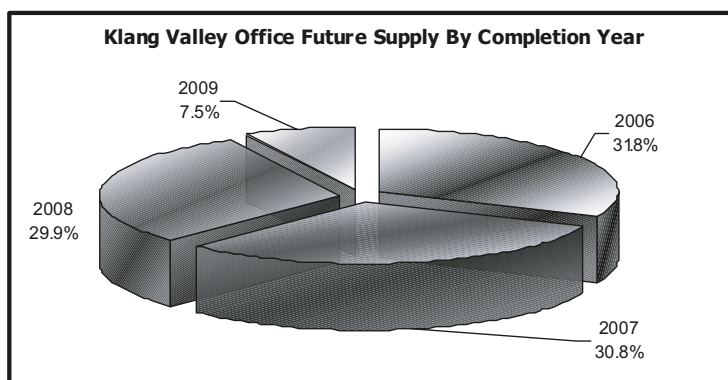
Source: WTW Research, May 2006



**3.1 SUPPLY (CONT'D)**

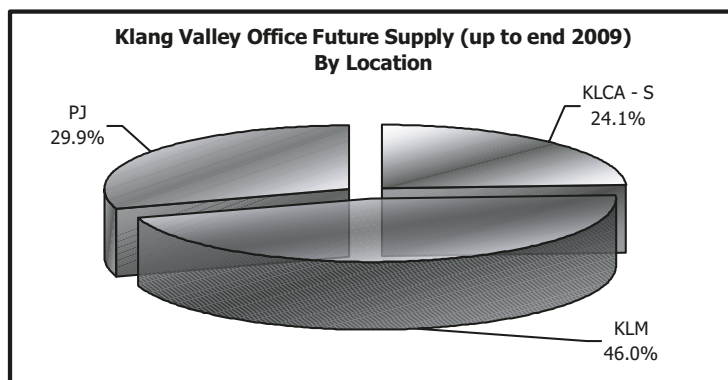
**3.1.2 Future Supply (Cont'd)**

The following charts show the distribution of future supply of office space in Klang Valley by completion year:



Source: WTW Research, May 2006

The following charts show the distribution of future supply of office space in Klang Valley by location:



Source: WTW Research, May 2006

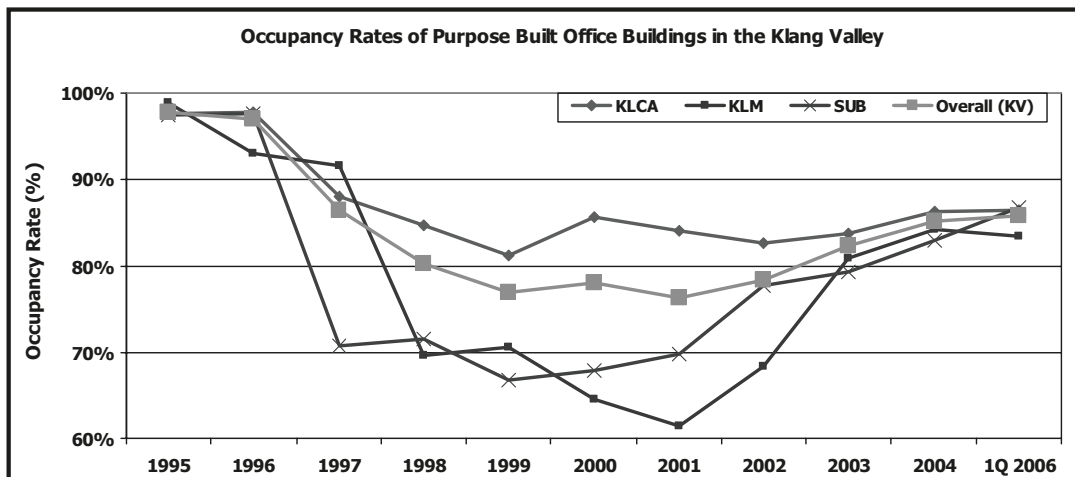
### 3.2 DEMAND

#### 3.2.1 Occupancy Rates

The overall demand for office space in the Klang Valley depends significantly on the country's economic situation. As a result of the economic recession in 1998, demand for the office space in the Klang Valley declined significantly. The recovery process was rather slow in view of the economic uncertainties, locally and abroad. On the micro aspects, demand for office space depends on various factors, such as location, building specifications, availability of public transportation, surrounding developments and many others.

The following chart shows the occupancy trend of offices in the KLCA, KLM and SUB areas, in relation to the average occupancy rate from year 1995 to first quarter 2006.

Klang Valley Purpose-Built Offices – Occupancy Rates (From 1995 to 1Q 2006)



Source: WTW Research, May 2006

With no completion of office space in first quarter 2006 in Klang Valley, the overall occupancy rate for purpose-built offices in Klang Valley improved marginally to register at about 85.9% in the first quarter 2006 from 85.5% in fourth quarter 2005.

The occupancy rate in the Kuala Lumpur sub-zones i.e. KLCA increased marginally at about 86.6% in first quarter 2006 from 86.4% in fourth quarter 2005 whereas occupancy rate for office buildings in the KLM areas improved slightly from 82.7% in fourth quarter 2005 to about 83.5% in first quarter 2006. Whilst on a quarter-on-quarter comparison, the vacancy rate in the SUB area has improved marginally from 86.4% in fourth quarter 2005 to 86.8% in first quarter 2006.

## 17. Property Market Report on the Office Sector in Klang Valley (Cont'd)

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### 3.2 DEMAND (CONT'D)

#### 3.2.1 Occupancy Rates (Cont'd)

The average occupancy rate of office spaces in Klang Valley are tabulated as follows:

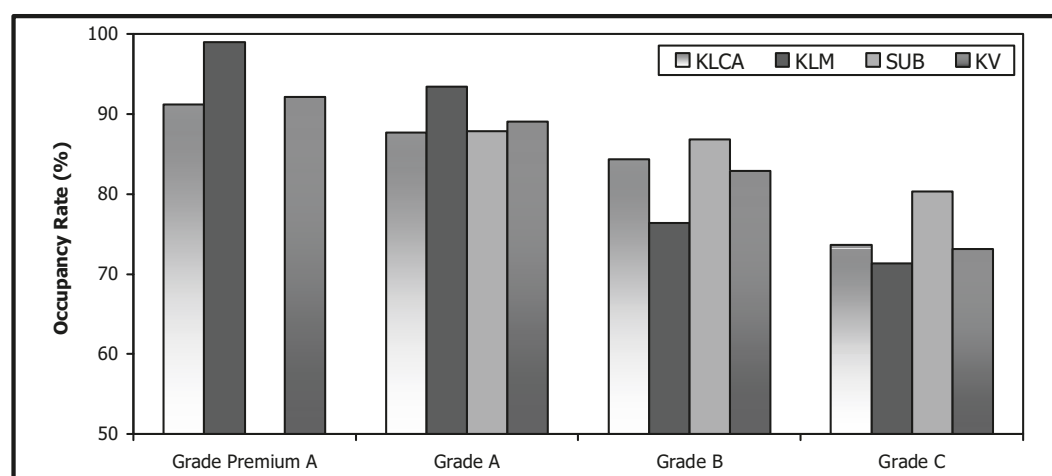
#### Klang Valley Purpose-Built Offices – Occupancy Rate By Location (as at 1Q 2006)

Location	Occupancy Rate (%)
Kuala Lumpur Central Area – Prime	89.4%
Kuala Lumpur Central Area – Secondary	84.5%
<b>Kuala Lumpur Central Area (KLCA)</b>	<b>86.6%</b>
<b>Kuala Lumpur Metropolitan (KLM)</b>	<b>83.5%</b>
<b>Klang</b>	<b>62.2%</b>
Petaling Jaya	89.6%
Shah Alam	96.5%
Subang Jaya	72.6%
<b>Klang Valley Suburban (SUB)</b>	<b>86.8%</b>
<b>Klang Valley (KV)</b>	<b>85.9%</b>

Source: WTW Research, May 2006

On a micro view of occupancy rates, occupancies for Premium A office space remained stable at 92.1% in first quarter 2006 and Grade A office buildings are observed to have improved slightly to register at about 89.0% in the first quarter 2006 from 88.2% in fourth quarter 2005. For Grade B and C office space, the average occupancy rate in first quarter 2006 registered at 82.9% and 73.1% respectively. This is illustrated as follows showing the average occupancy rate of office space by grading and location as at first quarter 2006:

#### Klang Valley Purpose-Built Offices – Occupancy Rates By Grading and Location (as at 1Q 2006)



Source: WTW Research, May 2006

### **3.2 DEMAND (CONT'D)**

#### **3.2.1 Occupancy Rates (Cont'd)**

At present, office tenants prefer new office buildings that provide good services like high speed lifts, attractive building design and finishes, good telecommunication services / adequate amenities and many others. New office buildings, which provide up-to-date office services, are more enticing to the office tenants. Besides that, some old buildings that are efficiently maintained and upgraded also continue to enjoy good demand. This is evidenced by occupancy rate of above 90% amongst Grade A and above office buildings while older buildings are experiencing lower occupancy rate.

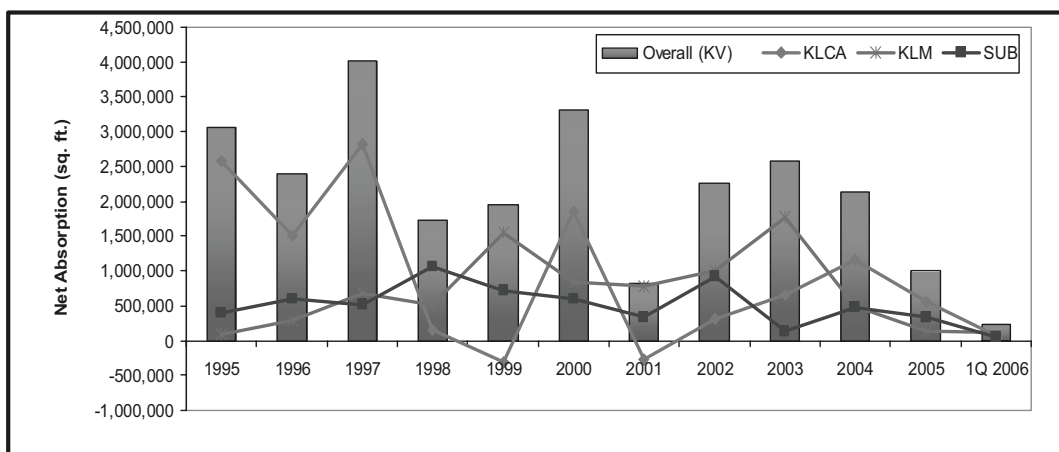
**3.2 DEMAND (CONT'D)**

**3.2.2 Take-up**

Office developments in the KLCA has traditionally enjoyed favourable demand, largely due to the high concentration of office developments in the area and supported by good public transportation (such as LRT, KL Monorail, buses and taxis). Demand for office buildings could be enhanced with the attractions in the immediate vicinity, such as shopping complex, park and other attractions. Over the years, the offices in the KLCA have continued to attract local and foreign demand for office space, particularly from services sector. Whilst offices in other locations of KLM and SUB has been attracting mainly local office users in the Government sector and manufacturing sector respectively.

The following chart shows the take-up office spaces in the KLCA, KLM and SUB areas from year 1995 to first quarter 2006.

**Klang Valley Purpose-Built Offices – Take-Up (From 1995 to 1Q 2006)**



Source: WTW Research, May 2006

Based on our survey of take-up rate of office spaces in Klang Valley, the average take-up rate between 2002 and 2004 is estimated at 2.32 million sq ft. However, for the year 2005, the take-up rate was only 1.01 million sq ft. The average annual take-up for the last 5 years (2001-2005) is approximately 1.75 million sq ft. This may be attributed to the present tight supply situation among Grade A and above office spaces. Notable leasing transactions in the 2005 include the relocation of OCBC Bank to Menara OCBC taking up 170,000 sq ft, AEON Credit Service taking up 57,000 sq ft in Menara Olympia and the relocation of Indah Water Konsortium to fringe area taking up 105,000 sq ft in Damansara Town Centre.

## 17. Property Market Report on the Office Sector in Klang Valley (Cont'd)

C H Williams Talhar & Wong



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### 3.2 DEMAND (Cont'd)

#### 3.2.2 Take-up (Cont'd)

The office leasing market in first quarter 2006 was rather slow. As at first quarter 2006, net take-up of office space in Klang Valley registered at 223,400 sq ft with 92.9% or 207,500 sq ft of the office leasing is within Grade A and above office spaces. A breakdown of the take-up shows KLCA recorded a net take-up of about 94,300 sq ft, while KLM and SUB registered a net take-up of 90,100 sq ft and 23,100 sq ft respectively.

Among the major office movements that took place in 2004, 2005 and first quarter of 2006 are as follows:

#### Major Office Movers in Klang Valley (From 2004 to 1Q 2006)

Qtr	Zone	Major Mover	Office Building (New Location)	Size (sq ft)
1Q 2004	KLCA	Ranhill Berhad	Empire Tower	198,000 sq ft
2Q 2004	KLCA	Jabatan Kerja Raya	Menara Tun Ismail Mohamed Ali	220,000 sq ft
	KLCA	Kementerian Kebudayaan, Kesenian & Warisan	TH Perdana	45,000 sq ft
3Q 2004	KLCA	Standard Chartered Bank	Menara Standard Chartered	107,000 sq ft
4Q 2004	KLCA	Kementerian Pembangunan Wanita, Keluarga & Masyarakat	Menara Tun Ismail Mohamed Ali	100,000 sq ft
	KLCA	ECM Libra	Menara Genting	40,000 sq ft
1Q 2005	KLCA	Aker Kvaerner Asia Pacific	Menara HLA	19,000 sq ft
	KLCA	Digital Crown Holdings	Menara HLA	32,000 sq ft
	KLCA	Credit Suisse First Boston	Menara IMC	9,000 sq ft
2Q 2005	KLCA	OCBC Bank Bhd	Menara OCBC	170,000 sq ft
	KLM	Shell Group	Menara Milenium	11,000 sq ft
	KLM	Eastern & Oriental Bhd	Menara Milenium	10,600 sq ft
3Q 2005	KLCA	iPerints Sdn Bhd	Menara HLA	12,000 sq ft
	KLCA	California Fitness	Menara Standard Chartered	33,000 sq ft
	KLCA	Jabatan Kerja Raya	Menara Maju Junction	100,000 sq ft
	KLCA	Amanah Raya Bhd	Wisma AmanahRaya	100,000 sq ft
4Q 2005	KLCA	AEON Credit Service (M) Sdn Bhd	Menara Olympia	50,000 sq ft
	KLM	Indah Water Konsortium	Damansara Town Centre	105,000 sq ft
	KLM	Road Transport Department	Damansara Town Centre	14,000 sq ft
	KLM	National Registration Department	Damansara Town Centre	11,000 sq ft
1Q 2006	KLCA	PM Securities Sdn Bhd	Menara PMI	15,000 sq ft
	KLCA	Scan Associates Bhd	Menara Naluri	30,000 sq ft
	KLCA	Malaysia Airports Holdings Bhd	Menara IMC	7,000 sq ft

Source: WTW Research, May 2006

R/06/6012/SSF

Property Market Report on the Office Sector in Klang Valley  
Client: AmInvestment Group Berhad c/o AmFIRST REIT

Page 19

## 17. Property Market Report on the Office Sector in Klang Valley (Cont'd)

C H Williams Talhar & Wong

C H Williams Talhar & Wong Sdn Bhd (18149-U)



### 3.3 OFFICE INVESTMENT

#### 3.3.1 Office Transactions

The year 2005 was fairly active with several major transactions and REITs announcements. In first half of 2005, two notable office buildings were transacted i.e. the Vision City Tower 3 and Plaza Cygal Tower 1. The former sale is a long vacant office building whilst construction of the latter building has resumed since it was stalled following the 97/98 economic downturn. In the second half of 2005, the office market saw the transactions of office buildings including Wisma Technip and Plaza Cygal Tower 2 (incomplete building).

REITs have garnered much interests and limelight in the market in 2005. In March, the first REIT to be listed on Bursa Malaysia's Main Board was approved by the Securities Commission of Malaysia. Managed by Axis REIT Managers Bhd, Axis-REIT has a portfolio of office and office/industrial type properties located in the greater Kuala Lumpur areas of Petaling Jaya and Shah Alam. Properties in the portfolio include Menara Axis, Axis Business Park, Crystal Plaza, Infinite Centre and Axis Plaza, with a total open market value of RM269 million.

Another office building, CP Tower, was acquired at RM123 million by CMREF1 (a real estate fund formed by a joint venture between CIMB and Mapletree). Also listed in the 2005 is UOA REIT with portfolio of properties including 3 office buildings i.e. Wisma UOA Centre, Wisma UOA II and Wisma UOA Damansara. On 21 February 2006, Tower REIT was established with a total market value of RM351 million. Managed by GLM REIT Management Sdn Bhd, Tower REIT properties include two office buildings, namely Menara HLA and HP Towers. Tower REIT is listed on Bursa Malaysia's Main Board in 12 May 2006.

Among the major Grade A office transactions from year 2001 to first quarter 2006 are as follows:

#### Klang Valley Grade A Office Transactions (From 2001 to 1Q 2006)

Year	Zone	Sub-Zone	Office Building	Seller	Buyer	Net Lettable Area (sq ft)	Price (RM)	Price RM psf
2001	KLCA	Prime	Wisma Hong Leong	Bedford Land Sdn Bhd (subsidiary of Hong Leong Real Estate Holdings Sdn Bhd)	Hong Leong Assurance Bhd	330,000	180,089,000	546
	SUB	SJ	Wisma HeiTech Village	Integrated Logistics Bhd	HeiTech Padu Bhd	170,860	45,000,000	263
2002	KLCA	Secondary	Wisma Time	Time Engineering Bhd	STLR Sdn Bhd (subsidiary of Khazanah Nasional Bhd)	171,611	62,050,000	362
	SUB	SA	Menara MRCB	MRCB Selbourne Corporation Sdn Bhd	Idaman Unggul Sdn Bhd	216,542	55,000,000	254
2003	KLCA	Prime	The Weld	CCL (Weld) Properties Sdn Bhd	Great Eastern Life Assurance (Malaysia) Bhd	420,522	150,000,000	357
	KLCA	Prime	Menara ExxonMobil	Pemas International Holdings Bhd	KLCC Holdings Bhd	379,930	255,882,353	673

R/06/6012/SSF

Property Market Report on the Office Sector in Klang Valley  
Client: AmInvestment Group Berhad c/o AmFIRST REIT

Page 20

## 17. Property Market Report on the Office Sector in Klang Valley (Cont'd)

C H Williams Talhar & Wong

C H Williams Talhar & Wong Sdn Bhd (18149-U)



### 3.3 OFFICE INVESTMENT (CONT'D)

#### Klang Valley Grade A Office Transactions (From 2001 to 1Q 2006)

Year	Zone	Sub-Zone	Office Building	Seller	Buyer	Net Lettable Area (sq ft)	Price (RM)	Price RM psf
2004	KLCA	Prime	Menara Boustead	UK Realty Sdn Bhd	Boustead Realty Sdn Bhd	232,219	128,307,929	553
	KLCA	Secondary	Menara Dayabumi	Petrolam Nasional Bhd	KLCC Property Holdings Bhd	675,444	270,000,000	400
	KLCA	Secondary	Menara Commerce	IJM Properties Sdn Bhd	Commerce-Asset Holding Bhd	629,988	375,000,000	595
	KLCA	Prime	Plaza OSK	OSK Realty Sdn Bhd	Ke Zan Holdings Bhd (wholly owned subsidiary of OSK Holdings Bhd)	241,014	125,000,000	519
	KLCA	Secondary	Wisma EON Bank	OCL (Cydecam) Properties Sdn Bhd	EON Bank Bhd	397,939	140,000,000	352
	KLCA	Secondary	Oriental Bank Building	EON Bank Bhd	Century Gardens Sdn Bhd	122,428	35,000,000	286
	KLCA	Prime	Wisma KFC	KFC Holdings (Malaysia) Bhd	Employee Provident Fund	175,292	90,000,000	513
	KLM		Menara Millenium	Hong Leong Real Estate Holdings Sdn Bhd	Sagu Mestika Sdn Bhd (subsidiary of Selangor Properties Bhd)	573,715	255,000,000	444
	KLM		KL Sentral – Lot N	Malaysian Resources Corporation Bhd	Lembaga Tabung Haji	351,000	161,460,000	460
	KLM		HP Towers	Bedford Damansara heights Development Sdn Bhd	Prophills Development Sdn Bhd (wholly owned subsidiary of Hong Leong Properties Bhd)	346,078	103,823,400	300
	SUB	PJ	CP Tower	Damansara Indah Sdn Bhd	Casapark Sdn Bhd	314,213	105,000,000	334
2005	KLCA	Secondary	Vision City Tower 3	RHB-Daewoo Sdn Bhd	Majlis Amanah Rakyat	218,869	105,000,000	480
	KLCA	Secondary	Wisma Technip	Mega Maju Sdn Bhd (subsidiary of Goldhill Group)	CapitalLand Commercial and Integrated Development Ltd	233,000	112,500,000	483
	KLM		Plaza Cygal (Tower 1)	Cygal Development Sdn Bhd and Itah-Pacific Development Sdn Bhd	Telekom Malaysia Bhd	188,123	65,800,000	350
	KLM		Plaza Cygal (Tower 2)	Cygal Development Sdn Bhd and Itah-Pacific Development Sdn Bhd	Telekom Malaysia Bhd	280,643	92,300,000	329
	KLM		Wisma UOA Damansara	Wisma UOA Sdn Bhd	OSK Trustee Bhd (on behalf of UOA REIT)	190,991	72,000,000	377
	SUB	PJ	CP Tower	Casapark Sdn Bhd	CIMB-Mapletree Management Sdn Bhd	314,213	123,000,000	391
2006	KLCA	Prime	Menara HLA	Kiapeng Development Sdn Bhd	Am Trustee Bhd (on behalf of TOWER REIT)	396,820	221,000,000	557
	KLM		HP Towers	Prophills Development Sdn Bhd	Am Trustee Bhd (on behalf of TOWER REIT)	346,078	130,000,000	376

Source: WTW Research, May 2006



## 17. Property Market Report on the Office Sector in Klang Valley (Cont'd)

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### 3.3 OFFICE INVESTMENT (CONT'D)

The office market in Malaysia is not particularly matured to reflect any significant of price trends over the years. The transactions of key office buildings are shown in the above table. Based on the key office building transactions between 2001 and 2006, the following general price trend is observed according to sub-zones:

Location	General Price Range (RM psf)
Kuala Lumpur Central Area – Prime	357 – 673
Kuala Lumpur Central Area – Secondary	286 – 595
<b>Kuala Lumpur Central Area (KLCA)</b>	<b>286 – 673</b>
<b>Kuala Lumpur Metropolitan (KLM)</b>	<b>300 – 460</b>
Petaling Jaya	334 – 391
Shah Alam	254
Subang Jaya	263
<b>Klang Valley Suburban (SUB)</b>	<b>254 – 391</b>
<b>Klang Valley (KV)</b>	<b>254 - 673</b>

Source: WTW Research, May 2006