MARKET STUDY
ON
INDUSTRIAL PROPERTIES
(FACTORY AND WAREHOUSES)
IN PUCHONG, SHAH ALAM AND RAWANG
STATE OF SELANGOR DARUL EHSAN

ATRIUM REIT MANAGERS SDN BHD

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1.0 OVERVIEW AND OUTLOOK OF THE MALAYSIAN ECONOMY

Current Situation

The Malaysian economy grew by 5.2% in real Gross Domestic Product (GDP) growth in 2005. While the growth is slower than the 7.2% growth recorded in 2004, it represents a more moderate and sustainable growth rate. As of end-2005 the Ministry of Finance (MOF) forecasted the economy to grow by 5.5% in 2006 but recently revised it upwards to 6.0%. However, Malaysian Institute of Economic Research (MIER), an independent economic thinktank is more conservative with a forecast of 5.6% growth for 2006.

GDP GROWTH IN MALAYSIA (1987-2005)

Year	Real GDP Growth	GDP at Constant 1987 Prices (RM million)	GDP at current Prices (RM million)
1987	N/A	81,085	81,085
1988	9.9 %	89,143	92,370
1989	9.1 %	97,219	105,233
1990	9.0 %	105,977	119,081
1991	9.5 %	116,093	135,124
1992	8.9 %	126,408	150,682
1993	9.9 %	138,916	172,194
1994	9.2 %	151,713	195,461
1995	9.8 %	166,625	222,473
1996	10.0 %	183,292	253,732
1997	7.3 %	196,714	281,795
1998	-7.4 %	182,237	283,243
1999	6.1 %	193,422	300,764
2000	8.9 %	210,557	343,215
2001	0.3 %	211,227	334,404
2002	4.4 %	220,422	362,012
2003	5.5 %	232,496	395,170
2004	7.2 %	249,314	450,152
2005	5.2 %	262,175	495,239

Source: Bank Negara Malaysia

In the 1st quarter of 2006, the GDP grew by 5.5% while in the 2nd quarter, it grew by 5.9% thus for the first half, GDP growth was at 5.7%.

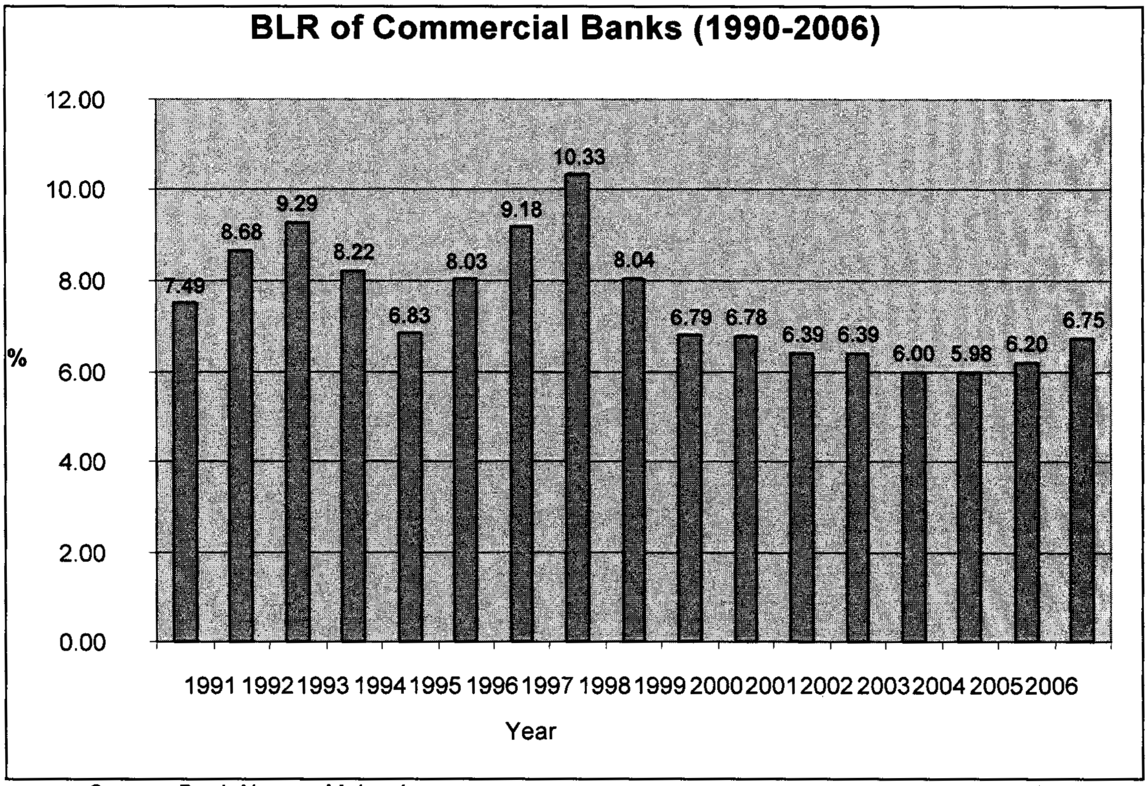
Looking at the historical GDP figures, average economic growth per annum from 1988-2005 was an average of 6.7% while the average growth from 2002 - 2005 is 5.6%. Thus, although the economy is not growing at a fast pace as achieved in the early 1990s, the overall economy is growing on the right track in meeting the Vision 2020 objective.

In fact, the recent unveiling of the 9th Malaysia Plan has projected that the economy is expected to grow at an average rate of 6% for the period 2006 - 2010 and 6.5% in the 2011 - 2020 period whilst the Third Industrial Master Plan (IMP3) targeted an average of 6.3% annually for 2006 - 2020 period. To achieve the growth of 6% for 2006-2010, the government has, in the 9th Malaysia Plan, allocated RM200 billion for development expenditure with another RM20 billion in private finance initiatives, as compared to the RM170 billion expenditure reported in the 8th Malaysia Plan.

Malaysia's economic growth has mainly been driven by the manufacturing and services sector contributing 31.6% and 58.2% of the GDP respectively in 2005. The growth was led by domestic demand due to increased private consumption (i.e. private consumption grew by 9.2% in 2005) and private investments (ie. private investments grew by 10.8% in 2005) as well as stronger global demand resulting in improved manufacturing outputs and higher exports (i.e. gross exports grew by 11% in 2005). Sustained high commodity prices also contributed to the economic growth. In terms of the labour market, unemployment rate in Malaysia remains stable at a low rate of 3.5% - 3.6% from 2001 to 2005.

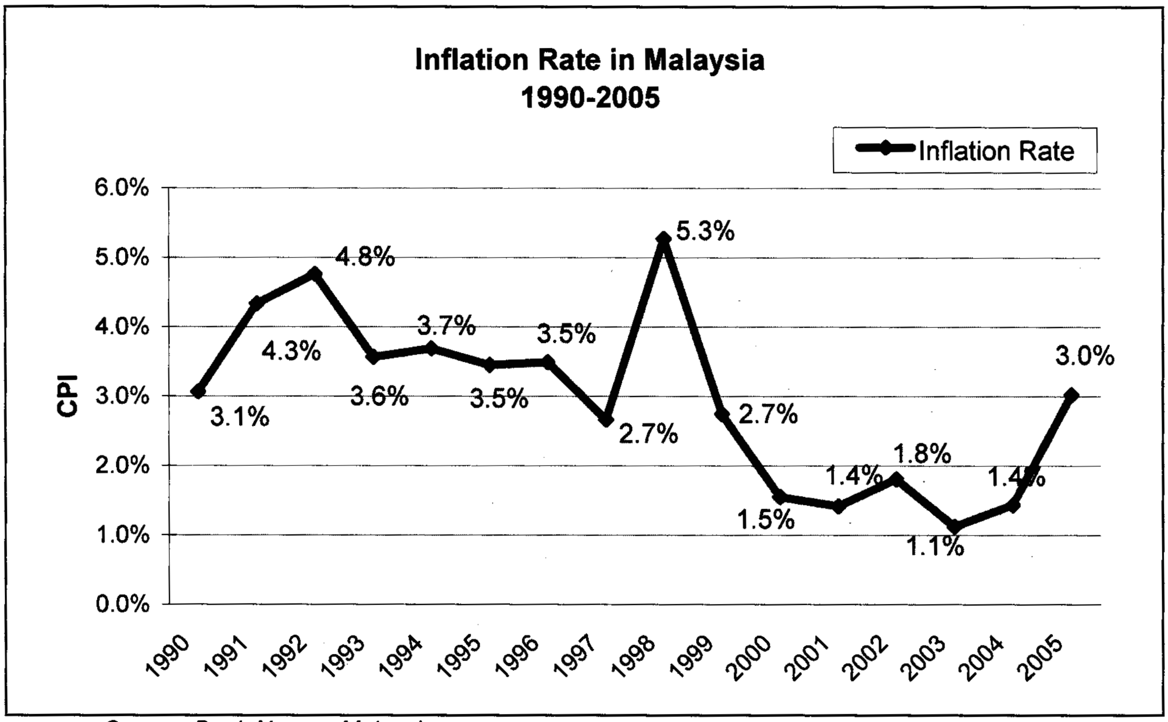
On the local front, the high oil price situation has caused inflation rate to rise to 3.0% in 2005 from a low of 1.2% previously (the highest since 1999). The inflationary pressures have prompted Bank Negara Malaysia (BNM) to increase interest rates from the all time low Base Lending Rates (BLR) of 6.0% to 6.25% in December 2005.

Further increases have been seen in 2006 as BLR increased by 0.25% (to 6.5%) in February 2006 following BNM's decision to raise the benchmark Overnight Policy Rate (OPR) on February 22. The BLR rose by another 0.25% to 6.75% in April 2006 when BNM raised the OPR by 25 basis points to 3.50% on April 26 2006.



Source: Bank Negara Malaysia

The higher fuel prices announced by the government on 1 March 2006 in its decision to reduce fuel subsidies are expected to drive inflation rates up in 2006. Also, utility companies (i.e. water & electricity) are asking for higher tariffs from the present highly subsidised rates due to rising costs. This will push inflation higher in the future. BNM estimates that in 2006, the average rate of inflation would be in the range of 3.5% - 4.0%.



Source: Bank Negara Malaysia

While high oil prices remains a threat, the global economy remain high, oil producing nations particularly Organization of Petroleum Exporting Countries (OPEC) have been keeping their production levels high to meet the global demand to stabilize oil prices. Locally, the government is placing priority in its efforts to maintain low inflation and stabilize prices via various measures to ensure sufficient supply of goods and services to increasing demand as well as closely monitoring price movements.

Future Outlook

The future economic growth of Malaysia is expected to be private sector driven as private demand and private investments continue to fuel the economic growth whilst the government sector seeks to consolidate its fiscal expenditure. This is evident as investments in the manufacturing sector continue to grow as Malaysian Industrial Development Authority (MIDA) reported the approval of a total of 1,026 projects worth RM31.06 billion in 2005 compared to 1,101 projects amounting to investments worth RM28.77 billion in 2004.

The economy is also expected to be export driven. External trade was worth RM968 billion in 2005 (up 9.9% from 2004) which is expected to exceed RM1 trillion in 2006, making Malaysia the 17th largest trading nation in the world.

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Weighing in all the factors and barring any unforeseen circumstances, the economy is expected to be able to achieve the projected growth of an average rate of 6% for the period 2006-2010 and 6.5% in the 2011-2020 period as highlighted in the 9th Malaysia Plan.

2.0 AN OVERVIEW OF THE INDUSTRIAL PROPERTY MARKET IN MALAYSIA

The industrial sub-sector registered decreases in the volume and value of transactions as well as "construction starts" and "building plan approvals" along with the lower expansion achieved by manufacturing sector at 4.9% (2004: 9.8%). The sub-sector registered 8.6% and 14.2% decreases in the volume and value of transactions respectively against 2004.

However, prices of industrial properties were largely mixed. The contribution of the sub-sector to the national volume and value of transaction was relatively low at 2.6% (7,143 transactions) and 8.8% (RM5.00 billion), respectively. By type, terraced factory/warehouse was the most popular property type capturing 44.0% of the market share.

Most states registered decreases in the number of transactions except Johor and Terengganu, which recorded increases of 35.3% and 21.9% respectively. Negeri Sembilan experienced the biggest drop of 45.9% with transactions reduced from 630 units in 2004 to 341 units in 2005, followed by Melaka (-29.0%), Kelantan (-26.7%), Kedah (-21.8%) and Sabah (-20.2%). Selangor had the most number of transaction (2,768 units) whilst Perlis had the least (5 units).

Generally, the national industrial overhang and unsold units were insignificant as the numbers were relatively small. In spite of this, the number of overhang increased from 651 units in 2004 to 684 units in 2005, up by 5.1%. The increase was due mainly by the sizeable increase in Selangor where overhang units increased nearly threefold from 45 units in 2004 to 126 units. The value of overhang increased correspondingly from RM281.74 million to RM291.98 million, up by 3.6%. Johor had the most industrial overhang (157 units), followed by Selangor (126 units) and Negeri Sembilan (107 units). Similarly, the unsold "under construction" units increased slightly from 507 units to 539 units, up by 6.3% while the unsold "not constructed" units decreased from 472 units in 2004 to 439 units in 2005. Selangor recorded one-third (191 units) of the national unsold "under construction" industrial units whereas Melaka housed half (224 units) of the "not constructed" category. Terraced factory sector was predominant in the industrial overhang and the unsold "under construction" units whilst detached type was least favoured in the unsold "not constructed" category.

The existing stock stood at 85,497 units inclusive of 1,143 industrial units completed in 2005. Compared to 2004, the number of completed units increased by 36.2% (2004: 839

units). Pulau Pinang had the most completed units (304 units) followed by Selangor (290 units). Incoming supply decreased by 9.6% to 7,658 units (2004: 8,468 units) due to the substantial reduction in “construction starts”. The “construction starts” reduced by more than 50.0% from 787 units in 2004 to 333 units in 2005. The incoming supply was mainly in Selangor (3,766 units) and Negeri Sembilan (1,566 units). The total incoming supply comprised terraced units (5,916 units) and semi-detached units (1,153 units). Despite a decrease in new “building plans approval”, from 940 units in 2004 to 719 units in 2005, “planned” supply increased marginally by 1.8% to 22,249 units (2004: 21,863 units).

Prices of industrial property were largely mixed. For instance, in Kuala Lumpur, 1½-storey terraced factories in Mukim Batu noted stable to upward price movements of 3.3% to 12.0% whilst Mukim Petaling registered increases of 2.4% to 5.0%. 1½-storey semi-detached units in Sri Edaran Light Industrial Park noted a 4.7% increase while single storey detached units in Teh Wan Sang increased by 7.1%.

In Selangor, prices of industrial property were generally on an upward trend except for single-storey terraced factories in Taman Klang Utama, which recorded a 12.0% decrease in price. Meanwhile, similar units in Petaling District increased by 6.1% to 8.0% and Kepong Light Industrial Park noted an increase of 6.0%. However, 1½-storey terraced factories in AMJ Industrial Park in Klang noted the highest increase of 17.5%. On the other hand, the well-planned Glenmarie Industrial Park and Subang Hi-Tech Park, served by excellent road systems such as the Guthrie Corridor Expressway (GCE), Shah Alam Expressway (KESAS), Federal Highway and ELITE, observed increases of 10.3% and 11.4% respectively. Similar units in Taman Taming Jaya, Bandar Teknologi Kajang and Taman Meranti, located in the southern corridor of the state, recorded gains of 15.1%, 8.9% and 13.0% respectively.

The industrial property sub-sector is expected to move in tandem with the continued modest development of the manufacturing sector in 2006.

(Source: Extracted from Jabatan Penilaian & Perkhidmatan Harta (JPPH) – Property Market Report 2005)

2.1 OVERVIEW OF THE INDUSTRIAL PROPERTY MARKET IN THE KLANG VALLEY

This section of the report attempts to provide an overview of the performance of the industrial property market in the Klang Valley with regards to supply, demand and rents with particular emphasis on the detached factory/warehouse type of industrial properties.

2.1.1 Industrial Property Stock in the Klang Valley

The industrial property stock in the Klang Valley are majority terrace factories with some 27,741 units as of Q4 2005. It constitutes 76.3% of the overall supply, followed by detached factories (10.5%) and semi-detached factories (9.5%). The main bulk of industrial properties in the Klang Valley are in Selangor with some 86.4% of the total supply.

SUPPLY - INDUSTRIAL PROPERTIES ACCORDING TO TYPE (Q4 2005) IN THE KLANG VALLEY (SELANGOR & KUALA LUMPUR)

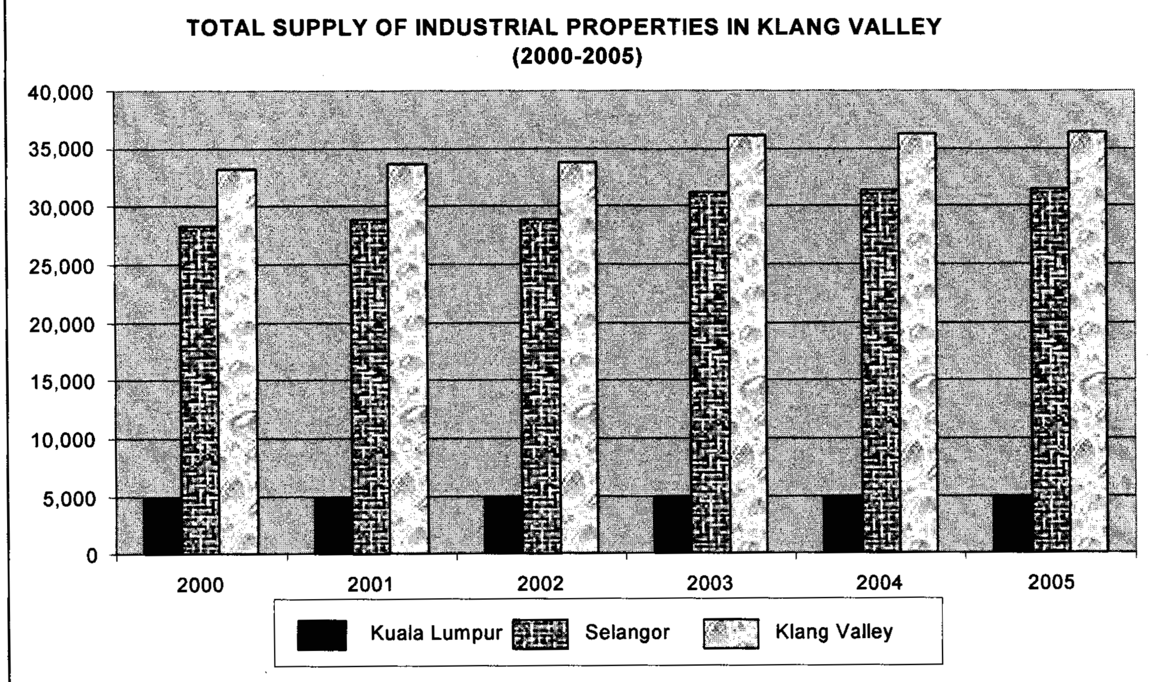
	Terraced factory	Semi-D factory	Detached factory	Flatted factory	Industrial Complex	Total
EXISTING STOCK						
Kuala Lumpur	2,975	457	553	956	14	4,955
Selangor	24,766	3,001	3,280	270	93	31,410
KLANG VALLEY	**27,741**	**3,458**	**3,833**	**1,226**	**107**	**36,365**
% of share	76.28%	9.51%	10.54%	3.37%	0.29%	100.00%
INCOMING SUPPLY						
Kuala Lumpur	0	0	0	0	0	0
Selangor	3,505	198	62	0	1	3,766
KLANG VALLEY	**3,505**	**198**	**62**	**0**	**1**	**3,766**
PLANNED SUPPLY						
Kuala Lumpur	111	0	44	0	1	156
Selangor	906	72	1,382	0	4	2,364
KLANG VALLEY	**1,017**	**72**	**1,426**	**0**	**5**	**2,520**

Source: Pusat Maklumat Harta Tanah Negara
Note: Klang Valley includes both Kuala Lumpur & Selangor

Future supply of industrial properties would be from Selangor, as it will contribute 97.5% of both "incoming" and "planned" supply. While terrace factories form 93.1% of the "incoming" supply of industrial properties, detached factories made up 56.6% of "planned" supply, terrace factories 40.3% and others types of industrial made up the remaining 3.1%.

This implies that whilst the market is cautious in building new detached factories (i.e. limited detached factories under construction), it is well prepared to fulfill future demand for such properties should there be a market for them with available vacant industrial land in prime areas such as Lion Industrial Park, Bukit Jelutong Industrial Park, Kota Kemuning, Berjaya Industrial Park, etc.

An analysis of the movement of the industrial property supply reveals that there has been very limited growth in terms of completed industrial properties in the Klang Valley over the last 5-6 years. There has only been a marginal increase of 9.3% between end of 2005 and end of 2000 in terms of industrial properties. It was also noted that between end of 2003 and end of 2005, there were only 326 units of new industrial units, which were mainly terrace and semi-detached factories.



Source: Pusat Maklumat Harta Tanah Negara

2.1.2 Industrial Property Transactions in the Klang Valley

Industrial property transactions in 2005 in the Klang Valley saw decreases in terms of both number of transactions and value of transactions compared to 2004. Number of transactions decreased by 8.1% from 3,411 transactions in 2004 to 3,135 transactions in

2005 while the value of transactions fell by 14.0% as industrial properties worth RM2.857 billion were transacted in 2005 compared to RM3.321 billion in 2004.

In terms of location, the majority of the transactions were in Selangor. It made up approximately 88.8% of all transactions between 2000 and 2005 within the Klang Valley.

Between 2000 and 2005, the main types of industrial properties transacted were terrace factories (62.1%), followed by vacant plots (18.9%), semi-detached factories (8.7%), detached factories (7.3%), industrial complexes (2.1%) and others (0.9%).

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NUMBER OF INDUSTRIAL PROPERTY TRANSACTIONS IN KLANG VALLEY (2000-2005) BY TYPE

	Vacant Plot			Terrace factory			Semi-detached factory			Detached factory			Industrial Complex			Others			TOTAL		
	S'gor	KL	KV	S'gor	KL	KV	S'gor	KL	KV	S'gor	KL	KV	S'gor	KL	KV	S'gor	KL	KV	S'gor	KL	KV
2005	577	61	638	1711	173	1884	228	25	253	187	43	230	42	58	100	23	7	30	2768	367	3135
2004	647	35	682	1834	186	2020	269	55	324	205	52	257	51	42	93	24	11	35	3030	381	3411
2003	634	39	673	1417	174	1591	207	41	248	183	30	213	24	34	58	32	8	40	2497	326	2823
2002	487	22	509	1447	185	1632	201	16	217	155	17	172	12	15	27	13	4	17	2315	259	2574
2001	334	87	421	1586	250	1836	209	18	227	210	30	240	3	12	15	27	3	30	2369	400	2769
2000	394	30	424	1883	131	2014	257	18	275	142	31	173	48	30	78	9	3	12	2733	243	2976

Source: Pusat Maklumat Harta Tanah Negara
(Note: Klang Valley includes both Kuala Lumpur & Selangor)

VALUE (RM million) OF INDUSTRIAL PROPERTY TRANSACTIONS IN KLANG VALLEY (2000-2005) BY TYPE

	Vacant Plot			Terrace factory			Semi-detached factory			Detached factory			Industrial Complex			Others			TOTAL		
	S'gor	KL	KV	S'gor	KL	KV	S'gor	KL	KV	S'gor	KL	KV	S'gor	KL	KV	S'gor	KL	KV	S'gor	KL	KV
2005	866.1	48.97	**915.07**	584.27	88.03	**672.3**	237.57	35.56	**273.13**	771.05	105.82	**876.87**	11.55	40.43	**51.98**	62.64	4.82	**67.46**	2533.17	323.63	**2856.81**
2004	1044.83	14.11	**1058.94**	583.24	78.86	**662.1**	286.48	81.75	**368.23**	1014.09	101.65	**1115.74**	16.49	10.23	**26.72**	82.1	7.43	**89.53**	3027.23	294.03	**3321.26**
2003	601.9	16.13	**618.03**	492.51	72.27	**564.78**	189.54	53.3	**242.84**	743.37	60.77	**804.14**	5.37	9.98	**15.35**	64	6.41	**70.41**	2096.69	218.86	**2315.55**
2002	724.67	9.71	**734.38**	418.07	72.67	**490.74**	172.32	13.13	**185.45**	579.49	30.4	**609.89**	61.9	3.37	**65.27**	22.65	4.61	**27.26**	1979.1	133.89	**2112.99**
2001	454.33	29.62	**483.95**	454.14	81.2	**535.34**	171.37	15.24	**186.61**	1358.45	48.88	**1407.33**	1.22	3.48	**4.7**	55.72	3.03	**58.75**	2495.23	181.45	**2676.68**
2000	599.75	52.42	**652.17**	552.83	48.99	**601.82**	262.71	19.61	**282.32**	429.7	116.34	**546.04**	668.46	35.45	**703.91**	31.13	39.62	**70.75**	2544.58	312.43	**2857.01**

Source: Pusat Maklumat Harta Tanah Negara
(Note: Klang Valley includes both Kuala Lumpur & Selangor)

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2.1.3 Major Industrial Areas in the Klang Valley

The main industrial areas in Kuala Lumpur are located in Batu Caves, Kepong/Jinjang, Chan Sow Lin, Cheras/Maluri, Bandar Tun Razak and Bukit Jalil (i.e. Technology Park Malaysia).

In Selangor, the major industrial properties are located in the districts of Petaling, Klang, Hulu Langat, Hulu Selangor and Gombak. Most of the industrial parks are located in the District of Petaling which include areas such as Shah Alam, Petaling Jaya, Subang Jaya, Puchong, Sungai Buloh and Damansara. Another major area is the District of Klang which constitute areas such as Meru, Port Klang, Pulau Indah, Bukit Raja and Pandamaran. The District of Hulu Langat has industrial areas in Bangi, Kajang, Cheras and Beranang while the industrial areas in the District of Hulu Selangor are located in Batang Kali, Kundang, Hulu Yam and Bukit Beruntung. Industrial areas in the District of Gombak are mainly in the areas of Batu Caves, Rawang and Serendah.

SUPPLY OF INDUSTRIAL PROPERTIES IN SELANGOR (Q4 2005) BY DISTRICT & BY TYPE

	Terraced factory	Semi-D factory	Detached factory	Flatted Factory	Industrial Complex	Total
Petaling	10,346	1,215	1,362	263	5	13,191
Klang	4,461	966	896	7	42	6,372
Kuala Langat	158	0	65	0	37	260
Kuala Selangor	54	18	10	0	0	82
Sabak Bernam	21	0	0	0	0	21
Gombak	2,226	75	447	0	8	2,756
Hulu Selangor	3,528	117	64	0	0	3,709
Hulu Langat	3,439	435	425	0	1	4,300
Sepang	533	175	11	0	0	719
SELANGOR	**24,766**	**3,001**	**3,280**	**270**	**93**	**31,410**

Source: NAPIC

Large industrial factories generally have preferences for Klang, Shah Alam, Subang Jaya and Rawang industrial areas whilst logistics warehouses prefer Klang, Shah Alam, Subang Jaya and Petaling Jaya areas, which are near both Port Klang and Kuala Lumpur International Airport as well as near the urban areas with good infrastructure such as road networks and communications as well as supply of skilled labour and technology.

The table below lists the major industrial areas/parks in the Klang Valley.

MAJOR INDUSTRIAL AREAS/PARKS IN THE KLANG VALLEY.

Location	Industrial Areas
Federal Territory of Kuala Lumpur	- Chan Sow Lin (KL) - Shamelin Industrial Area (Cheras) - Taman Teknologi Malaysia - Desa Tun Razak Industrial Park (Bandar Tun Razak) - Kepong Industrial Area (Kepong) - Setapak Industrial Area (Setapak) - Taman Bukit Maluri Industrial Area (Kepong) - Taman Perindustrian IKS Mukim Batu (Batu Caves)
District of Gombak, Selangor	- Bolton Industrial Park (Batu Caves) - Rawang Integrated Park (Rawang) - Perodua (Serendah)
District of Klang, Selangor	- Bukit Raja Industrial Estate (Klang) - Pulau Indah Industrial Park (Klang) - Pandamaran Industrial Estate (Pandamaran) - Meru Industrial Area (Meru) - Port Klang Free Zone (Port Klang) - Berjaya Industrial Park (Shah Alam) - Bukit Kemuning Industrial Park (Shah Alam) - Kota Kemuning Industrial Park (Shah Alam)
District of Petaling, Selangor	- Shah Alam Seksyen 15, 16, 21, 22 & 23 (Shah Alam) - Lion Industrial Park (Shah Alam) - Hicom Industrial Park (Shah Alam) - Bukit Jelutong Industrial Area (Shah Alam) - Mah Sing Industrial Park (Subang) - Subang Glenmarie (Subang Jaya) - Petaling Jaya Seksyen 51A & 52 (Petaling Jaya) - Petaling Jaya Seksyen 13 & 19 (Petaling Jaya) - Selangor Science Park (Damansara, PJ) - Sri Damansara Industrial Park (Damansara, PJ) - Puchong Industrial Park (Puchong) - Taman Perindustrian Kinrara (Bandar Kinrara) - Sungai Way Baru FTZ (Subang Jaya) - Subang Jaya Hi-Tech Park (Subang Jaya) - Sungai Buloh Industrial Park (Sungai Buloh) - Taman Ind. Sg Penaga (Subang Jaya) - Taman Perindustrian UEP Subang Jaya (Subang Jaya)
District of Hulu Langat, Selangor	- Bangi Industrial Area (Bangi) - Kajang Industrial Area (Kajang) - Cheras Jaya Industrial Area (Cheras) - Mahkota Industrial Park (Beranang)
District of Hulu Selangor, Selangor	- Batang Kali Industrial Area (Batang Kali) - Hulu Yam Industrial Area (Hulu Yam) - Kundang Industrial Area (Kundang) - Bukit Beruntung Industrial Park (Bukit Beruntung) - Bukit Sentosa Industrial Park (Rawang)

Source: Rancangan Struktur Negeri Selangor 2020 & other sources

2.1.4 Rental of Industrial Properties in the Klang Valley

Generally rents for detached factory/warehouses in the Klang Valley are between RM1.00-RM1.20 per sq.ft. (psf) on built-up. The higher range of rents are generally in prime and strategic industrial locations such as Petaling Jaya, Subang Hi-Tech Park and Hicom-Glenmarie Shah Alam. Average rents of ±RM1.00 psf are in locations such as Shah Alam, Subang Jaya, Puchong and Kepong/ Batu Caves. Rents below RM1.00 psf are generally, within areas located away from the main urban centres such as Port Klang, Jalan Meru, Teluk Panglima Garang, Teluk Gong, Sungai Buloh, Rawang and Cheras Jaya/ Balakong

RENTALS OF DETACHED FACTORY/WAREHOUSES IN MAJOR INDUSTRIAL AREAS IN THE KLANG VALLEY

Location	Factory/warehouse Rental Level (RM per month on built-up)
Kepong / Batu Caves	RM 0.90-1.20 psf
Subang Jaya Hi-Tech Park	RM 1.20-1.40 psf
Subang Jaya USJ	RM 1.00-1.30 psf
Taman Ind. Sg Penaga, Subang Jaya	RM 1.00-1.20 psf
Berjaya Industrial Park, Shah Alam	RM 1.00-1.20 psf
Shah Alam, Sec 16, Sec 22	RM 1.00-1.40 psf
Shah Alam, Sec 26, Sec 27, Sec 28	RM 1.00-1.20 psf
Hicom Glenmarie Shah Alam	RM 1.00-1.60 psf
Port Klang /North Port	RM 0.65-1.00 psf
Jalan Meru, Klang	RM 0.60-0.90 psf
Telok Gong, Klang	RM 0.40-0.70 psf
Telok Panglima Garang	RM 0.50-0.70 psf
Petaling Jaya	RM 1.50-1.80 psf
Sungai Buloh	RM 0.50-0.90 psf
Puchong	RM 1.00-1.20 psf
Rawang	RM 0.60-0.90 psf
Cheras Jaya / Balakong	RM 0.60-0.90 psf

Source: Classified ads, enquiries from owners/real estate agents etc

However, there are industrial properties that could command higher rents as they are specially designed and built to the tenant's specific requirements. Manufacturing industries such as food manufacturing, semi-conductor, pharmaceutical, etc. which require stringent requirements in their manufacturing plants. This would therefore cost more to build. Rents for such custom-built factories/warehouses would generally be higher, whereby rents can be in the range of RM1.50 to RM3.00 psf.

Generally, the yields for these types of industrial properties (i.e. detached factories/warehouses) are in the range of 6.0% to 8.0%.

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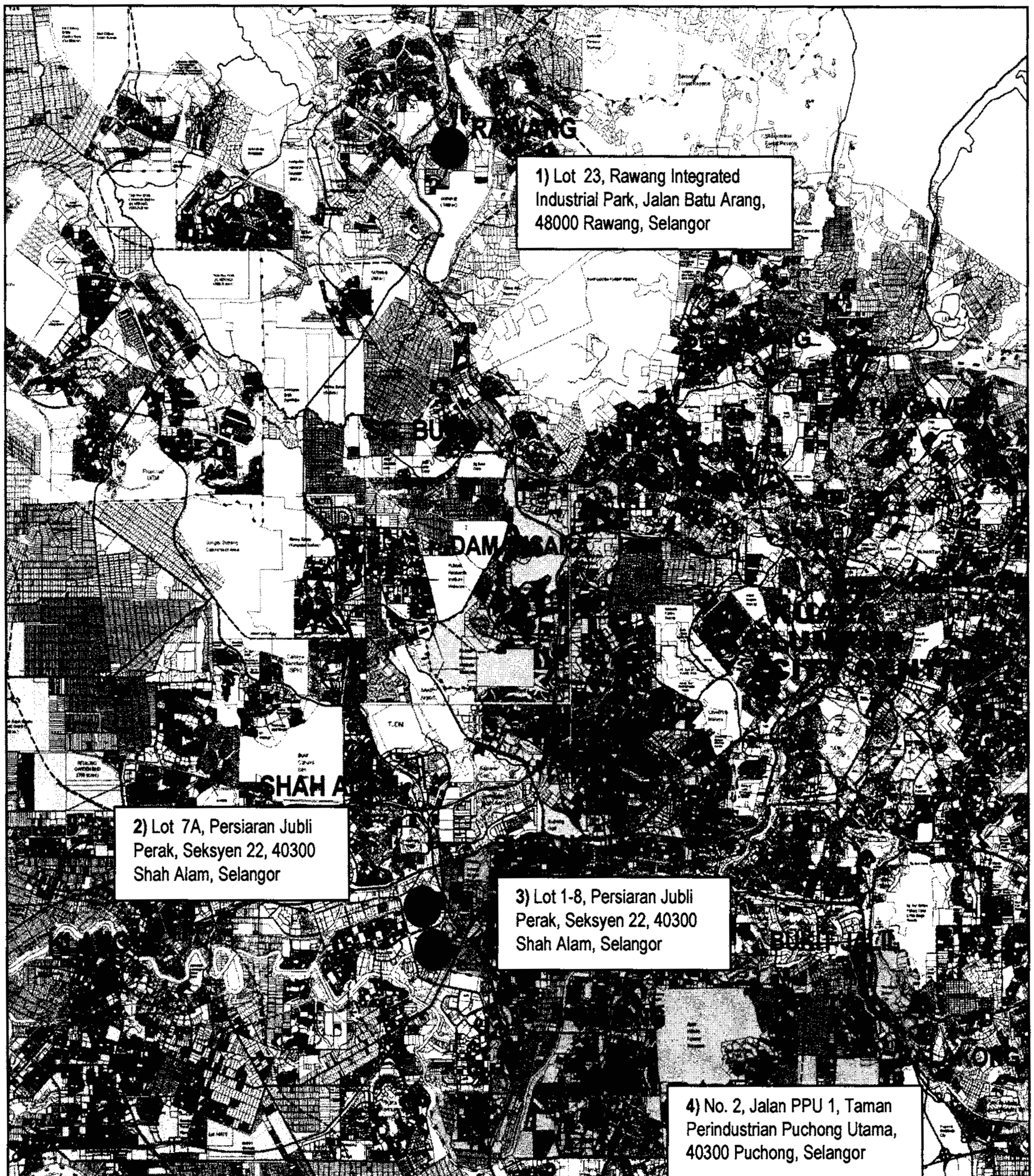
3.0 ATRIUM REIT PORTFOLIO

The map below shows the locations of Atrium REIT portfolio of properties, which are spread across key industrial areas within the Klang Valley.

MAP OF THE PORTFOLIO OF PROPERTIES IN THE KLANG VALLEY



Note: Not to scale (approximate location only)

All four of the Atrium REIT properties are purpose-built detached factories/warehouses. These properties can be classified into two categories, which are:

a) **Food Manufacturing Properties (Manufacturing Sector)**

1. Lot 23, Rawang Integrated Industrial Park, Jalan Batu Arang, 48000 Rawang, Selangor Darul Ehsan

b) **Third Party Logistics Properties (Logistics Sector)**

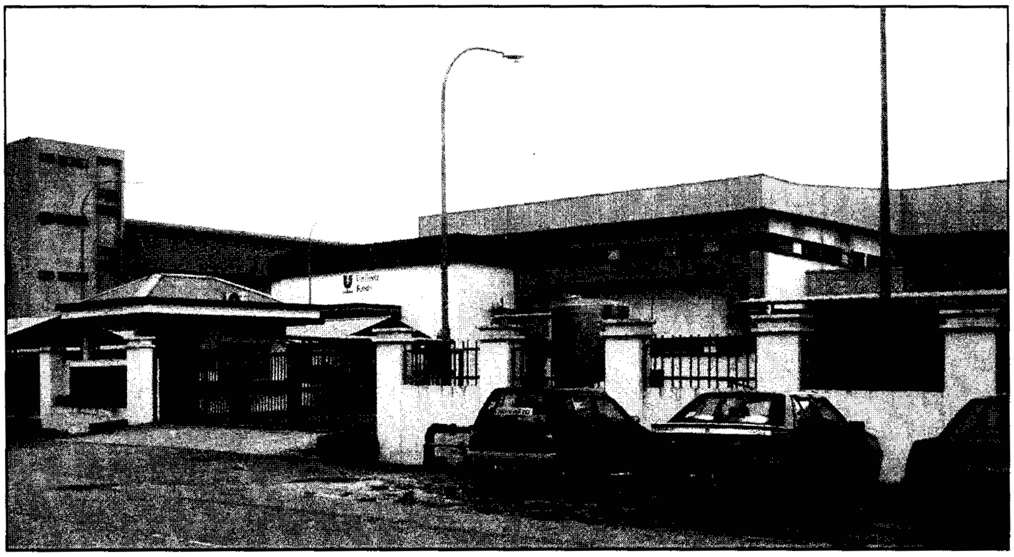
2. Lot 7A, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor Darul Ehsan

3. Lot 1-8, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor Darul Ehsan

4. No. 2, Jalan PPU 1, Taman Perindustrian Puchong Utama, Batu 12 ½ Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan

A detailed summary of each of the properties is as follows:

FOOD MANUFACTURING PROPERTY	
1) Lot 23, Rawang Integrated Industrial Park, Jalan Batu Arang, 48000 Rawang, Selangor Darul Ehsan	
Property Use	Food manufacturing factory
Category of Land Use	Building (Industrial)
Lot No.	1282 (Parent Lot)
Title No.	Geran 57711 (Master Title)
Section	20
Town	Rawang (formerly Mukim of Rawang)
District	Gombak
State	Selangor
Land Tenure	Freehold
Land Area	2.00 acres (87,120 sq.ft. or 8,093.7 sq.m.)
Gross Floor Area	37,855.34 sq.ft.
Net Lettable Area (NLA)	35,236 sq.ft.
Age of Building	6 years
Tenant/s	Unilever Foods (Malaysia) Sdn. Bhd. Company No: 2966-W (Unilever) (formerly known as CPC/AJI (Malaysia) Sdn Bhd)
Expiry Date	2011



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THIRD PARTY LOGISTICS PROPERTIES	
2) Lot 7A, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor Darul Ehsan	
Property Use	Logistics office cum warehouse
Category of Land Use	Industrial
Lot No.	PT 90
Title No.	H.S.(D) 188265
Mukim	Pekan Baru Hicom (formerly Mukim of Damansara)
District	Petaling
State	Selangor Darul Ehsan
Land Tenure	Freehold
Land Area	12.00 acres (522,738 sq.ft. or 48,564 sq.m.)
Gross Floor Area	259,354.27 sq.ft.
Net Lettable Area (NLA)	258,702 sq.ft.
Age of Building	3 years
Tenant/s	CEVA Logistics (Malaysia) Sdn Bhd, Company No: 421502-U [CEVA (TNT)] (formerly known as TNT Logistics (Malaysia) Sdn. Bhd.)
Expiry Date	1st portion (156,667 sq.ft.) : 2007 2nd portion (34,324 sq.ft.) : 2006 3rd portion (33,998 sq.ft.) : 2009 4th portion (33,713 sq.ft.) : 2007

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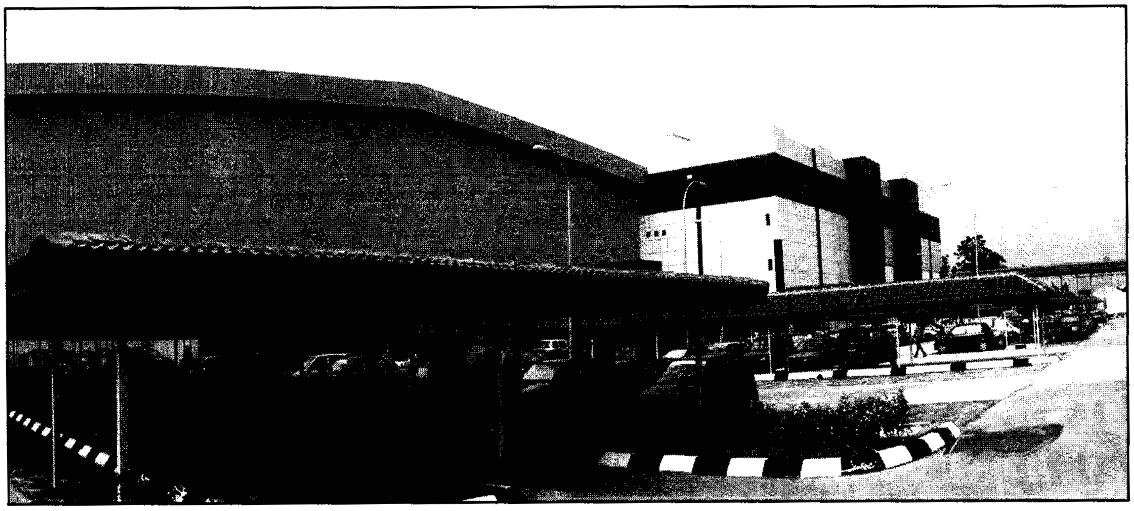
THIRD PARTY LOGISTICS PROPERTIES	
3) Lot 1-8, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor Darul Ehsan	
Property Use	Logistics office cum warehouse
Category of Land Use	Industrial
Lot No.	PT 14366
Title No.	H.S.(D) 80053
Mukim	Damansara
District	Petaling
State	Selangor Darul Ehsan
Land Tenure	Freehold
Land Area	13.157 acres (573,124 sq.ft. or 53,245 sq.m.)
Gross Floor Area	312,388.40 sq.ft.
Net Lettable Area (NLA)	311,736 sq.ft.
Age of Building	2 years
Tenant/s	Exel Properties (Malaysia) Sdn. Bhd. Company No: 489729-X (Exel)
Expiry Date	2010



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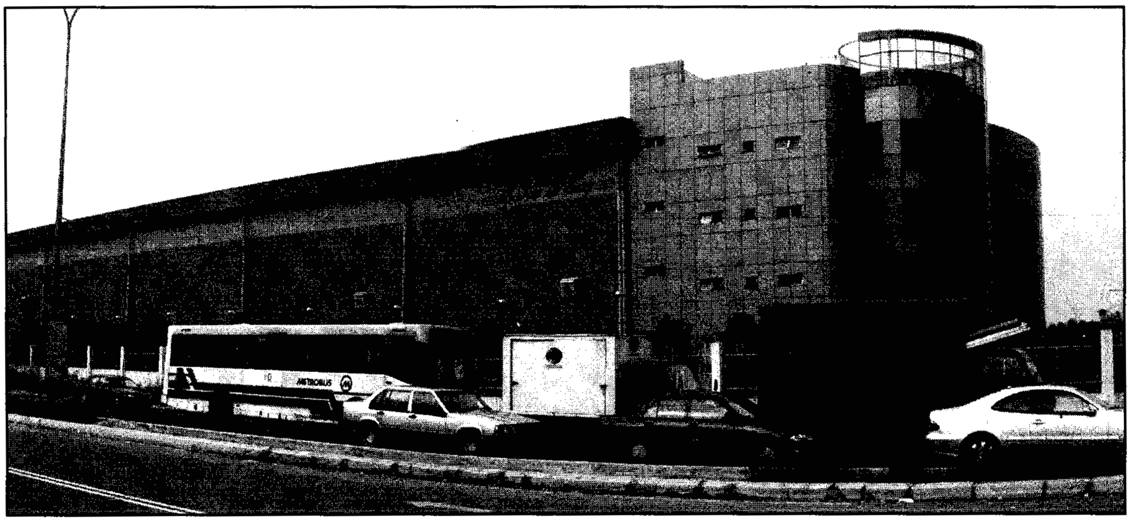
THIRD PARTY LOGISTICS PROPERTIES	
4) No 2, Jalan PPU 1, Taman Perindustrian Puchong Utama, Batu 12 ½ Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan	
Property Use	Logistics office cum warehouse
Category of Land Use	Industrial
Lot No.	65108
Title No.	Geran 44178
Mukim	Pekan Puchong Perdana (formerly Mukim of Petaling)
District	Petaling
State	Selangor Darul Ehsan
Land Tenure	Freehold
Land Area	6.7089 acres (292,240 sq.ft. or 27,150 sq.m.)
Gross Floor Area	216,576 sq.ft.
Net Lettable Area (NLA)	203,994 sq.ft.
Age of Building	5 years
Tenant/s	Danzasmal Domestic Logistics Services Sdn. Bhd. Company No: 362692-K (DHL)
Expiry Date	2010



4.0 DEMAND FOR INDUSTRIAL WAREHOUSES AND FACTORIES

In view that the properties in the Atrium REIT portfolio are in two different industries, the future prospect of the portfolio of properties will be subject to the performance of its corresponding sector.

The food manufacturing property comes under the food manufacturing sector, under the broader manufacturing sector whilst the third party logistics properties come under the logistics sector.

We, therefore, will analyze the factors influencing property demand in both the manufacturing sectors (with emphasis on the food manufacturing sector) and logistics sector. We will also explore the initiatives and incentives offered by the government to promote these two sectors. Detailed information of the manufacturing sector (specifically the food manufacturing sector), logistics sector and the government's initiatives are explained in the following sections.

4.1 Manufacturing Sector Overview

The manufacturing sector is the main user of industrial properties, thus industrial property demand will be directly affected by its performance. Performance measures of the manufacturing sector include the contribution of the sector to GDP, Industrial Property Index, sales and exports of manufactured goods and investments in the manufacturing sector. We then explore specifically in the performance of the food manufacturing sector.

4.1.1 Contribution of Manufacturing Sector to GDP

Although the services sector has taken over the manufacturing sector in terms of percentage share of GDP, the manufacturing sector remains to be a major contributor to the Malaysian economy as it contributes between 25%-32% of GDP since 1990. This sector has been critical in the formation of the Malaysian economy as it led Malaysia's economic growth in the late 1980s till the present day especially in the 1990s when double-digit growth in the sector was common.

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Since 1988 to 2005, the average real GDP growth of the manufacturing sector has seen average annual growth of 9.5%. Although the sector's growth has moderated since year 2002, it still contributed 31.55% of Malaysia's Real GDP by growing 5.1% in 2005. The manufacturing sector is expected to grow further as it retains its position as the pillar of Malaysia's economy. IMP3 estimated that during the 2006-2020 period, the manufacturing sector is expected to grow at an average of 5.6% annually and contributing approximately 28.5% of the GDP in year 2020.

The importance of the manufacturing sector is also pronounced, as it is also a major contributor in terms of employment, accounting for an estimated 28.4% of the total employment in 2005. *(Source: Department of Statistics)*

CONTRIBUTION OF THE MANUFACTURING SECTOR TO MALAYSIA'S GDP (1987-2005)

Year	GDP in current prices (RM million)	Real GDP (RM million)	% Growth	% Share of Real GDP
1987	16,058	16,058	N/A	19.80 %
1988	20,157	18,786	17.0%	21.07 %
1989	25,048	22,604	20.3%	23.25 %
1990	28,847	26,060	15.3%	24.59 %
1991	34,524	29,708	14.0%	25.59 %
1992	38,910	31,788	7.0%	25.15 %
1993	44,643	36,423	14.6%	26.22 %
1994	52,072	40,566	11.4%	26.74 %
1995	58,684	45,174	11.4%	27.11 %
1996	70,646	53,387	18.2%	29.13 %
1997	79,974	58,788	10.1%	29.89 %
1998	81,525	50,898	-13.4%	27.93 %
1999	93,045	56,841	11.7%	29.39 %
2000	111,900	67,250	18.3%	31.94 %
2001	101,735	63,299	-5.9%	29.97 %
2002	110,561	66,019	4.3%	29.95 %
2003	122,949	71,691	8.6%	30.84 %
2004	141,472	78,742	9.8%	31.58 %
2005	151,422	82,724	5.1%	31.55 %

Source: Bank Negara Malaysia

4.1.2 Industrial Production Index (IPI)

The Index of Industrial Production is the measure of the rate of change in the production of industrial commodities in real terms over time. These commodities are obtained from the manufacturing, mining and electricity sectors.

The Industrial Production Index (IPI) of the manufacturing sector increased by approximately 4.05% to 238.9 in 2005 from 229.6 in 2004. The Manufacturing sector in 2005, showed a positive growth when its index increased by 4.5% as compared with the same period of the previous year. This can be seen from the higher indices attained by 16 major groups out of 23 major groups covered by the survey.

INDUSTRIAL PRODUCTION INDEX (IPI) 1997-2005

Year	Overall IPI 1993=100	% change	Manufacturing IPI	% change
1997	156.1	10.6%	165.6	12.42%
1998	144.9	-7.2%	148.6	-10.27%
1999	158.0	9.0%	167.8	12.92%
2000	188.3	19.2%	209.7	24.97%
2001	180.4	-4.2%	195.8	-6.63%
2002	188.8	4.6%	204.7	4.52%
2003	206.3	9.3%	226.1	10.46%
2004	229.6	11.3%	254.7	12.66%
2005	238.9	4.1%	266.2	4.51%

Source: Department of Statistics

4.1.3 Sales Value of the Manufacturing Sector

Overall, the Manufacturing sector recorded an increase of 14.3% in sales value, 5.0% in salaries & wages paid and 0.9% in the number of employees engaged for the period January- December 2005 compared to the corresponding period of 2004. At the same time, productivity in terms of average sales value per employee went up by 13.3%. *(Source : Department of Statistics)*

SALES VALUE, NO. OF ESTABLISHMENTS, NO. OF EMPLOYEES, SALARIES/WAGES AND AVERAGE SALES VALUE PER EMPLOYEE OF THE MANUFACTURING SECTOR IN MALAYSIA (2004-2005)

	2004	2005
Sales Value	RM 408 billion	466.3 billion
No of Establishments	3,505	3,487
No of employees	1,013,106	1,022,012
Salaries/Wages	RM 20.2 billion	RM 21.2 billion
Average Sales Value Per Employee	RM 402,722	RM 456,257

Source : Department of Statistics (Monthly Manufacturing Statistics)

4.1.4 Exports of Manufactured Products

Malaysia's gross exports grew by 11% in 2005 amounting to RM533.8 billion while gross imports stood at RM434.0 billion, resulting in a healthy trade balance of RM99.76 billion.

GROSS EXPORTS, IMPORT AND TRADE BALANCE (2000-2005)

Year	*Gross exports (f.o.b.)*		*Gross imports (c.i.f.)*		*Trade balance*
	RM million	***% change***	**RM million**	***% change***	**RM million**
2000	373,270.40	16.1%	311,458.90	25.3%	61,811.50
2001	334,283.82	-10.4%	280,229.09	-10.0%	54,054.73
2002	357,430.02	6.9%	303,090.47	8.2%	54,339.55
2003	397,884.39	11.3%	316,537.85	4.4%	81,346.54
2004	480,740.33	20.8%	400,076.84	26.4%	80,663.49
2005	533,789.90	11.0%	434,029.67	8.5%	99,760.23

Source: Department of Statistics

EXPORTS OF MANUFACTURED GOODS AND GROSS EXPORTS (2000-2005)

Year	Exports of Manufactured Goods		*Gross exports (f.o.b.)*
	(RM million)	% share over Gross exports	(RM million)
2000	317,908.30	85.2%	373,270.40
2001	285,316.20	85.4%	334,283.82
2002	302,021.40	84.5%	357,430.02
2003	326,322.20	82.0%	397,884.39
2004	390,449.10	81.2%	480,740.33
2005	429,853.37	80.5%	533,789.90

Source: Department of Statistics

Exports of manufactured goods constitute about 80%-85% of the nation's gross exports. In 2005, exports of manufactured goods grew by 10.1% from RM390.4 billion in 2004 to RM429.85 billion. Electronics & electrical products are the largest contributors, constituting 65.8% of total exports of manufactured products in 2005, followed by chemicals & chemical products with 6.9%.

4.1.5 Investment Performance in the Manufacturing Sector

Malaysia maintains its position to be an attractive investment destination as it continues to receive high levels of investments in the manufacturing sector in 2005. Some RM31 billion worth of investments from total of 1,026 projects were approved in 2005 compared to 1,101 projects with investments worth RM28.8 billion approved in 2004.

The total investments approved during the Second Industrial Master Plan (IMP2) period (1996 - 2005), amounted to RM269.7 billion, exceeding the IMP2 target of RM250 billion by RM19.7 billion, whereby a total of 8,727 projects were approved. For IMP3, total investments amounting to RM412.2 billion is expected for the period between 2006 and 2020 with an average of RM27.5 billion per annum.

NUMBER OF APPROVED PROJECTS AND CAPITAL INVESTMENTS IN THE SECOND INDUSTRIAL MASTER PLAN (1996-2005)

	No of Approved Projects	Capital Investment (RM million)
1996	782	34,258
1997	759	25,821
1998	844	26,352
1999	725	17,021
2000	805	33,610
2001	928	25,775
2002	792	17,877
2003	965	29,145
2004	1,101	28,773
2005	1,026	31,057
TOTAL	**8,727**	**269,689**

Source: Malaysian Industrial Development Authority

Of the 1,026 projects approved in 2005, a total of 572 (56%) were new projects with investments of RM13.8 billion, accounting for 44.5% of total investments. In comparison, 602 projects out of a total 1,101 projects were new projects worth RM18.6 billion in 2004.

CAPITAL INVESTMENT IN APPROVALS GRANTED FOR ESTABLISHMENT OF MANUFACTURING PROJECTS BY INDUSTRY (2000-2005)

Industry	2000	2001	2002	2003	2004	2005	2000-2005	%
Food Manufacturing	1,057.67	899.61	1,220.87	1,077.32	1,116.14	1,457.49	6,829.09	4.1%
Beverages & Tobacco	113.64	26.34	97.57	16.01	377.36	94.43	725.35	0.4%
Textiles & Textile Products	1,186.34	429.45	196.97	292.66	823.92	373.94	3,303.28	2.0%
Leather & Leather Products	5.76	0.26	40.73	5.54	18.48	8.97	79.74	0.0%
Wood & Wood Products	359.76	407.63	459.24	1,084.76	897.49	360.47	3,569.35	2.1%
Furniture & Fixtures	345.02	186.20	305.04	312.54	343.97	511.70	2,004.46	1.2%
Paper, Printing & Publishing	1,524.06	5,022.97	314.44	254.02	4,723.14	953.50	12,792.13	7.7%
Chemical & Chemical Products	963.64	1,424.89	918.60	955.43	3,009.32	1,721.04	8,992.91	5.4%
Petroleum Products (Incl.Petrochemicals)	2,346.97	129.24	4,865.61	444.17	1,902.48	734.73	10,423.20	6.3%
Rubber Products	942.89	653.67	381.97	211.18	385.21	773.00	3,347.92	2.0%
Plastic Products	616.29	533.77	536.17	877.07	683.03	1,180.05	4,426.38	2.7%
Non-Metallic Mineral Products	1,766.27	1,999.41	475.60	453.52	774.92	921.53	6,391.24	3.8%
Basic Metal Products	786.67	605.12	364.39	8,711.15	1,924.75	3,204.97	15,597.06	9.4%
Fabricated Metal Products	410.16	512.50	475.47	1,294.53	1,195.00	758.77	4,646.42	2.8%
Machinery Manufacturing	820.78	717.03	706.51	638.84	406.62	1,027.37	4,317.15	2.6%
Electronics & Electrical Products	12,182.48	10,324.99	5,650.92	4,977.57	8,626.86	13,793.78	55,556.60	33.4%
Transport Equipment	672.88	1,127.54	698.24	6,979.18	1,324.00	1,416.10	12,217.94	7.3%
Scientific & Measuring Equipment	183.93	651.45	94.84	462.52	82.17	1,426.96	2,901.87	1.7%
Miscellaneous	100.38	122.83	23.69	96.64	158.61	337.86	840.00	0.5%
Natural Gas	7,224.73	0.00	50.00	0.00	0.00	0.00	7,274.73	4.4%
TOTAL	**33,610.32**	**25,774.91**	**17,876.86**	**29,144.65**	**28,773.46**	**31,056.65**	**166,236.84**	**100.0%**

Source: Malaysian Industrial Development Authority

Investments in new projects in 2005 were concentrated in five industries, namely Electronics & Electrical (RM2.7 billion), basic metal products (RM2.2 billion), scientific and measuring equipment such as contact lenses, cameras and medical devices (RM1.3 billion), transport equipment (RM1.1 billion) and chemicals and chemical products (RM954.5 million)

Analyzing the capital investments by industry, we find that whilst the investments are broad based (i.e. covering a variety of industries), the main industry sector attracting 33.4% of total investments in year 2000 to 2005 is the Electronics & Electrical products, followed by Basic Metal products (9.4%), Paper, Printing & Publishing (7.7%) and Transport Equipment (7.3%).

APPROVED PROJECTS BY STATE (2000-2005)

State	2000	2001	2002	2003	2004	2005	TOTAL	% share
Federal Territory - Kuala Lumpur	17	23	22	20	26	20	128	2.3%
Federal Territory - Labuan	1	1	1	-	-	2	5	0.1%
Selangor Darul Ehsan	223	302	239	306	335	335	1740	31.0%
Penang	132	124	110	137	144	148	795	14.2%
Perak Darul Ridzuan	57	48	46	65	54	52	322	5.7%
Johor Darul Ta'zim	179	191	191	219	256	234	1270	22.6%
Negeri Sembilan Darul Khusus	30	34	34	46	44	26	214	3.8%
Malacca	37	37	23	37	56	52	242	4.3%
Kedah Darul Aman	46	70	47	49	65	44	321	5.7%
Pahang Darul Makmur	25	22	13	17	18	18	113	2.0%
Kelantan Darul Na'im	5	10	6	7	9	8	45	0.8%
Terengganu Darul Iman	7	7	4	7	5	8	38	0.7%
Perlis Indera Kayangan	1	4	3	3	1	2	14	0.2%
Sabah	14	24	20	20	40	41	159	2.8%
Sarawak	31	31	33	32	45	34	206	3.7%
Undecided	-	-	-	-	3	2	5	0.1%
TOTAL	805	928	792	965	1101	1026	5617	100.0%

Source: Malaysian Industrial Development Authority

The concentration of the approved investments is mostly in the state of Selangor as it captures 31.0% of the number of investments between 2000 and 2005. Other major destinations for manufacturing investments are Johor (i.e. 22.6% of the number projects) and Penang (i.e. 14.2% of the number of projects).

4.1.6 Performance of the Food Manufacturing Sector

Malaysia has a population of 26.64 million as of 2nd Quarter 2006 *(Source: Department of Statistics)* with an annual population growth rate of about between 2.0% and 2.5%. The standard of living has seen a steady increase as Malaysia's purchasing power has more than doubled from RM6,299 per capita gross national product (GNP) in 1990 to RM17,687 in 2005. This coupled with lifestyle changes, have led to an increase in the demand for food products particularly convenience and health products.

The food processing sector accounted for approximately 10% of Malaysia's manufacturing output in 2005. Although food exports were worth RM7.987 billion in 2005, Malaysia continues to be a net importer of food products with annual imports of RM15.435 billion. However, in the 9th Malaysia Plan, the government targets Malaysia to be self sufficient by 2010 as some RM11.4 billion is allocated for the development of agriculture.

Malaysia offers much potential in the food manufacturing sector particularly the "halal" food market. The global market for "halal" food is estimated to be US$547.4 billion in 2005 based on the world Muslim population of 1.565 billion whilst Malaysia's own "halal" market is estimated to be worth US$5.867 billion. Malaysia is well positioned to be an international "halal' food hub as it is currently recognized as a modern, progressive and dynamic Muslim nation. With a majority Muslim population, Malaysia immediately has a ready domestic market for "halal" food. Another comparative advantage is the worldwide acceptance and acknowledgement of Jabatan Kemajuan Islam Malaysia's (JAKIM) "halal" logo due to its stringent verification and certification systems. To date, 704 food manufacturing companies in Malaysia have been certified "halal" by JAKIM.

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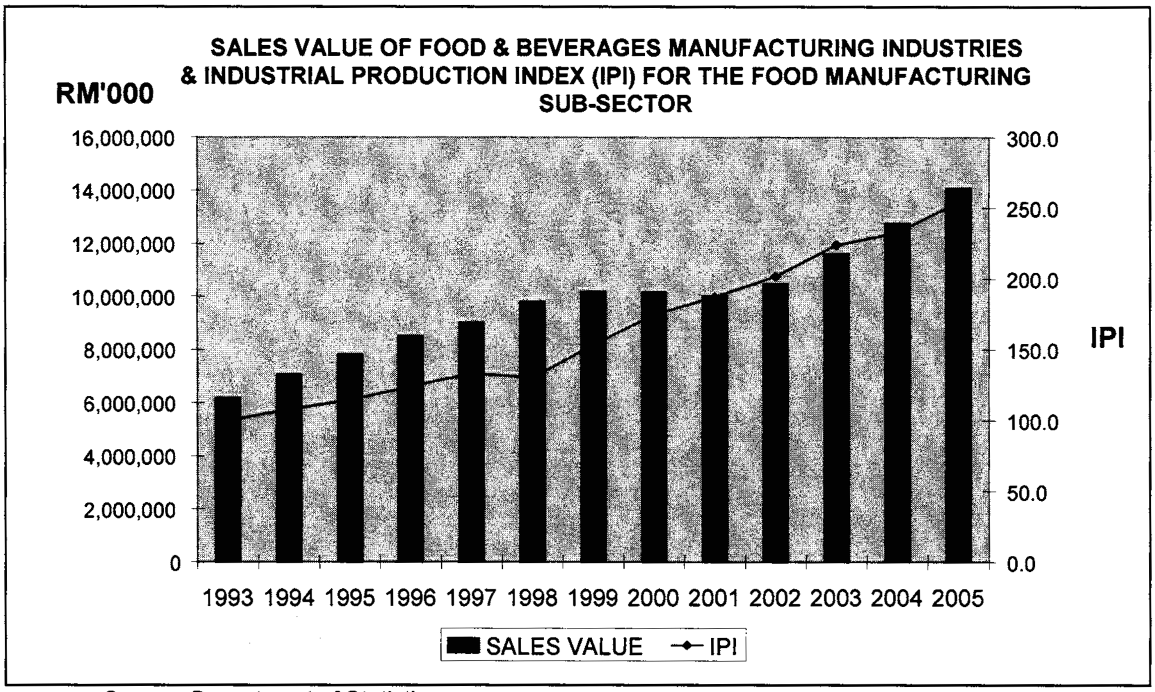

Source: Department of Statistics
(Monthly Manufacturing Statistics & Index of Industrial Production)

Sales value of the food manufacturing sector has doubled from RM6.171 billion in 1993 to approximately RM14.08 billion in 2005. The Industrial Production Index (IPI) for the food manufacturing sub-sector in 2005 stood at 254.2 against the base year of 1993.

Investments in the food manufacturing industry have been between RM0.9 and RM1.5 billion annually since 2000, with a total of 443 approved projects between 2000 and 2005.

APPROVED PROJECTS IN THE FOOD MANUFACTURING SECTOR

Industry	2000	2001	2002	2003	2004	2005	2000-2005
Capital Investments (RM million)	1,057.67	899.61	1,220.87	1,077.32	1,116.14	1,457.49	6,829.09
Number of Approved Projects	74	53	70	97	74	75	443

Source: Malaysian Industrial Development Authority
(Note: the figures above are subject to rounding adjustment)

The food manufacturing sector in Malaysia is also strongly supported by small and medium enterprises (SMEs) as approximately 15% of all SMEs in the manufacturing sector are in the food and beverages. *(Source: Department of Statistics, Census 2000)*

4.1.7 Summary of the Manufacturing Sector

The manufacturing sector continues to be very important to the Malaysian economy. The sector is expected to be robust in the immediate to long term as demand for manufacturing products continues to grow from both domestic demand as well as foreign demand (i.e. exports). The continued influx of investments particularly FDI would help to drive the sector forward. This augurs well for the industrial property sector as it provides demand for industrial properties. However, the demand for industrial properties would be mainly for the larger types of properties (i.e. semi-detached and detached factories) as well as industrial plots.

With a growing domestic population and increasing affluence levels, demand for food products particularly manufactured food products is expected to grow substantially in the future, aided by the fact that Malaysia possesses a unique combination of an abundance of agricultural resources and a diversity of cultures, resulting in an extensive and exotic variety of processed foods.

Prospects for the food manufacturing sector is very encouraging as Malaysia taps into the growing Asia Pacific market as well as the global "halal" food market. Malaysian foodstuffs are exported to countries like the United States of America (US), Singapore, Indonesia and Hong Kong. As demand grows for processed foods, this will eventually lead to demand for increased manufacturing capacities and hence, purpose-built industrial properties that meet the high and stringent requirements of the food manufacturing sector.

To promote the manufacturing sector and related services, the 9th Malaysia Plan has allocated RM7.79 billion compared to RM2.66 billion in the 8th Malaysia Plan. Approximately RM2.7 billion will be allocated for the development of industrial infrastructure, which includes industrial estates, SME Parks, infrastructure upgrading and maintenance. The development of SMEs is also given prominence with some RM2.16 billion allocated.

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4.2 Logistics Market Overview

The Coalition of Service Industries Logistics Working Group in the US defines logistics as follows:

> *"Logistics is the process of planning, implementing, managing and controlling the flow and storage of goods, services and related information from the point of origin to the point of consumption."*

It involves the integration of information, transportation, inventory, warehousing, material handling and packaging. Therefore, the logistics sector plays a very important and critical role in the product development, manufacturing, marketing and distribution of goods and services.

Key providers of logistics services include:

- Transport operators
  - Haulage & trucking
  - Rail
  - Air freighters
  - Sea cargo / shipping companies
- Freight forwarders
- Warehousing/ distripark
- 3rd party logistics providers
- Express/ courier companies

The advent of globalization in the 1980s and the advances in information and communication technology have resulted in companies to re-look at the ways businesses are being run. One emerging trend is the outsourcing of non-core business functions such as logistics, information technology, financial-related services and other services in attempts to reduce costs as well as to improve the supply chain. This also allows the companies to then concentrate on its core businesses.

The outsourcing of logistics services has given birth to the Third Party Logistics (3PL) industry. Third Party Logistics (3PL) is defined as:

> *"transportation, warehousing and other logistics related services provided by companies employed to assume tasks that were previously performed in-house by the client."*

From being just a supporting service provider in the 1980s, the 3PL market is now a double digit growing industry worth some US$333 billion in 2004 (Source: Armstrong & Associates).

In ASEAN alone, the 3PL market is expected to grow to US$27.85 billion in revenue by 2012 from US$14.84 billion in 2006, according to global consulting company, Frost & Sullivan. They estimated that the Malaysian market for 3PL to be worth US$3.25 billion in 2006 rising upwards to US$3.54 billion in 2007.

Many freight and parcel shipping companies have since jumped on the 3PL bandwagon to provide additional logistics services. Logistics companies such as Deutsche Post World Net (DPWN), UPS Supply Chain Solutions (UPS), CEVA Logistics and FedEx Trade Networks (Fedex) have all joined in the 3PL fray to compete for market share.

The table below lists the Top 25 3PLs in the world in terms of revenue in 2005.

TOP 25 3PLs IN THE WORLD IN TERMS OF REVENUE IN 2005

2004 Rank	Third Party Logistics	Head Quarters
1	Exel plc	UK
2	Kuehne + Nagel International AG	Switzerland
3	Schenker	Germany
4	DHL Danzas Air & Ocean	German/Switzerland
5	UPS Supply Chain Solutions	USA
6	Panalpina	Switzerland
7	C.H. Robinson Worldwide	USA
8	CEVA Logistics (formerly known as TNT Logistics)	USA/Netherlands
9	Expeditors International of Washington	USA
10	Schneider Logistics	USA
11	NYK Logistics	Japan
12	Penske Logistics	USA
13	EGL Eagle Global Logistics	USA
14	Nippon Express	Japan
15	PWC/Geologistics	Kuwait
16	BAX Global	USA
17	UTi Worldwide	USA
18	Ryder	USA
19	Caterpillar Logistics	USA
20	Kintetsu World Express	Japan
21	Menlo Worldwide	USA
22	APL Logistics	USA
23	Maersk Logistics	Denmark
24	SembCorp Logistics	Singapore
25	FedEx	USA

Source: Armstrong & Associates

Other major 3PLs in the world include Thiel (Germany), Fiege (Germany) and Geodis (France). Over the last few years there has been a trend of consolidation among global 3PL companies in a bid to command more global presence and to take advantage of each other's competitive strengths and expertise. In 2005 alone, there has been a round of major mergers and acquisitions (M&As). The most significant is the acquisition of Exel, the world's largest 3PL by DPWN, who also owns DHL. Other M&As include A.P. Muller's acquisition of P&O Nedlloyd, which was then merged with Maersk Logistics and Bax Global was acquired by Deutsche Bahn, who also owns Schenker.

Overall, the 3PL market is still growing with a large potential market still to tap into particularly the Asian markets, where such services are still done in-house. With such benefits, for example, cost savings, economies of scale, better efficiency, etc. to be garnered from engaging 3PLs, the potential for 3PLs is enormous.

4.2.1 Key Infrastructure in Malaysia

The logistics sector relies heavily on the availability of infrastructure particularly on transportation infrastructure via air, sea and land. In this aspect, Malaysia's transportation infrastructure is considered to be advance compared to neighbouring ASEAN countries (i.e. Thailand, Indonesia, Philippines). In terms of landed infrastructure, there is approximately 77,673 km of roads throughout Malaysia in 2005 with another approximately 1,949 km of railway tracks. The road networks is expected to be extended further, with emphasis on improving accessibility to less developed areas particularly to locations with potential for tourism, agriculture development and rural growth areas, as highlighted in the 9th Malaysia Plan.

For the railway infrastructure, there is a major upgrading project underway i.e. the Rawang-Ipoh electrified double tracking project which is due for completion in December 2007. Besides transporting passengers, the railway network also provides freight services via freight terminal and Inland Container Depots (ICDs) located throughout Malaysia. The five major ICDs in Malaysia are:

1. Kontena Nasional Inland Container Depot in Sungei Way, Selangor
2. Ipoh Container Terminal, in Perak
3. Padang Besar Container Terminal, in Perlis
4. Nilai Inland Port, in Negeri Sembilan
5. Segamat Inland Port, in Johor

Other such terminals are in Pasir Gudang, Prai and Singapore.

In terms of airports, Malaysia has 37 airports throughout Peninsular and East Malaysia. Of the 37, 5 are international airports (e.g. Kuala Lumpur, Kuching, Penang, Langkawi and Kota Kinabalu International Airports), 15 domestic airports and 17 Short Take-Off Landing airports, which serve interior locations. The Kuala Lumpur International Airport (KLIA) which was completed in year 1998, has the capacity to accommodate one million tonnes of cargo and 25 million passengers a year with the potential to accommodate up to 60 million passengers and three million tonnes of cargo per year by the year 2020, and in the future, up to 100 million passengers and five to six million tonnes of cargo per year.

In terms of seaports, Malaysia has 15 major ports of which 7 are international ports, 8 domestic ports and various other smaller ports/jetties throughout Malaysia. The major international ports are:

- Port Klang (includes Northport, Southport and Westport)
- Penang Port
- Johor Port
- Port of Tanjung Pelepas (PTP)
- Kuantan Port
- Kemaman Port
- Bintulu Port

Out of the 15 major ports, there are only 4 ports i.e. Port Klang, PTP, Penang Port and Johor Port, which handle more than 500,000 twenty-foot equivalent units (TEUs) a year.

In the recently announced 9th Malaysia Plan, RM30.3 billion has been allocated for the development of transport infrastructure. This is expected to keep Malaysia's transport infrastructure ahead of the increasing demand from both local and foreign users.

4.2.2 Performance of Transport & Logistics Sector in Malaysia

The following sectors are analyzed i.e. rail, air and maritime.

Railway Statistics

Railway cargo transportation has generally remained stagnant over the last 10 years. Freight traffic ranges from 3,500-5,800 tonnes per annum. The main types of rail cargos over the last 10 years (1995 - 2005), in terms of tonnes/km, were cement and clinker (36.9%), maritime containers (32.9%), processed foodstuff & drinks (11.9%) and petrol and mineral oil (6.5%).

FREIGHT TRAFFIC BY RAILWAY, 1995–2005

Year	Tonne	Tonnes / km
1995	5,795	1,602,252
1996	5,810	1,574,194
1997	5,106	1,336,149
1998	3,695	991,591
1999	3,845	907,903
2000	4,977	845,800
2001	4,151	1,094,143
2002	3,803	1,106,853
2003	4,608	886,352
2004	4,962	1,031,517
2005	4,031	1,178,610

Source: Keretapi Tanah Melayu Berhad

Air Transport Statistics

Total cargo (excluding those in transit) handled by airports grew considerably from 241,590 metric tonnes in 1990 to 968,354 tonnes in 2005. Although the KLIA only started in 1998, the growth of cargo handled by the airport has grown tremendously from 159,642 metric tonnes in 1998 to 653,65 metric tonnes in 2005. In 2005, it constituted approximately 67.5% of the overall air cargo handled by Malaysian airports.

TOTAL CARGO HANDLED BY AIRPORTS (EXCLUDING CARGO IN TRANSIT) IN MALAYSIA, 1990–2005
(MEASURED IN METRIC TONNES)

YEAR	TOTAL	KLIA	Subang Airport
1990	241,590	-	168,991
1991	284,782	-	200,375
1992	291,469	-	197,860
1993	312,046	-	211,349
1994	381,457	-	262,053
1995	482,992	-	325,871
1996	542,937	-	372,339
1997	619,079	-	413,695
1998	532,078	159,641	166,794
1999	658,231	417,068	14,069
2000	775,142	510,594	15,893
2001	703,310	440,864	14,445
2002	817,558	527,124	12,261
2003	838,377	586,195	14,358
2004	927,322	651,747	18,670
2005	968,354	653,654	46,082

Source : Malaysia Airports Holdings Berhad

TOTAL CARGO HANDLED BY AIRPORTS (INCLUDING CARGO IN TRANSIT) IN MALAYSIA, 2004–2005
(MEASURED IN METRIC TONNES)

Year	Domestic	International	TOTAL
2004	174,712	782,240	957,072
2005	190,576	808,720	999,295

Source : Malaysia Airports Holdings Berhad

If we take into consideration of the cargo in transit in the overall cargo handled in 2005, approximately 1.0 million metric tonnes of cargo was handled by Malaysian airports, which indicates an increase by 4.4% compared to 2004. Air cargo is expected to increase to 1.482 million tonnes in 2010 with approximately 82% of it being international cargo. By year 2020, air cargo handled in Malaysian airports is expected to be as high as 2.357 million tonnes. (*Source: IMP3*)

Port Statistics

The ports in Malaysia have seen significant growth over the last 5 years as container throughput has tripled from 3.99 million TEUs in 1999 to approximately 12 million in 2005. This can be attributed to the contribution of the 3 major ports in Malaysia i.e. Northport, Westport and PTP. Malaysia now boasts of having two ports in the top 20 largest containers ports in the world with Port Klang in 12th place and PTP in 16th place in 2003. *(Source: American Association of Port Authorities)*

Continued growth in TEU shipments is expected in the near future as the Malaysian ports continue to compete with Singapore for the shipping industry. IMP3 forecasts that the container throughput in Malaysia is expected to grow from 12 million TEUs in 2005 to 18 million by 2010, rising up further to 26.4 million in 2015 and up to 36.6 million by 2020.

TOTAL CONTAINER THROUGHPUT IN MALAYSIA, 1995-2005 (BREAKDOWN BY MAJOR PORTS)

YEAR	TOTAL	Port Klang	Penang	Johor	PTP
1995	2,135,484	1,133,811	433,474	302,898	N/A
1996	2,564,305	1,409,594	454,765	377,890	N/A
1997	3,014,497	1,684,508	506,863	429,448	N/A
1998	3,064,071	1,820,018	510,307	439,661	N/A
1999	3,990,015	2,550,419	566,409	558,056	N/A
2000	4,951,227	3,206,753	635,780	659,181	N/A
2001	5,455,379	3,759,512	604,294	638,718	N/A
2002	9,060,316	4,533,211	634,042	683,816	2,668,512
2003	10,248,742	4,841,235	688,171	750,466	3,316,954
2004	11,341,271	5,243,593	772,024	805,689	3,835,970
2005	12,029,563	5,543,517	795,289	836,754	4,044,811

Source : Ministry of Transport

4.2.3 Logistics Sector in Malaysia

The transportation and logistics sector is within the transport, storage and communication sub-sector of the broader services sector. The transport, storage and communication sub-sector have seen considerable growth over the last 19 - 20 years with only a slight negative growth in 1998. The sector contributes some 8.8% of the overall real GDP in 2005. According to the Ministry of Transport, the transport and logistics sector contribute approximately 4.0% of the annual GDP. This would put the transportation and logistics sector to be worth some RM18 billion to RM20 billion a year (i.e. for year 2004 & 2005).

SERVICES SUB-SECTOR : TRANSPORT, STORAGE AND COMMUNICATION (1987-2005)

Year	*Current Price RM million*	*Constant Price (1987=100) RM million*	Real Growth %	% share of real GDP
1987	5,267	5,267	n/a	6.5%
1988	5,801	5,708	8.4%	6.4%
1989	6,551	6,348	11.2%	6.5%
1990	7,026	7,124	12.2%	6.7%
1991	8,505	7,777	9.2%	6.7%
1992	9,215	8,239	5.9%	6.5%
1993	10,798	9,240	12.1%	6.7%
1994	12,902	10,967	18.7%	7.2%
1995	14,964	12,298	12.1%	7.4%
1996	16,761	13,208	7.4%	7.2%
1997	18,762	14,764	11.8%	7.5%
1998	19,433	14,720	-0.3%	8.1%
1999	20,290	15,354	4.3%	7.9%
2000	22,263	16,858	9.8%	8.0%
2001	23,636	18,249	8.3%	8.6%
2002	25,126	18,996	4.1%	8.6%
2003	26,748	20,011	5.3%	8.6%
2004	29,626	21,701	8.4%	8.7%
2005	32,061	23,045	6.2%	8.8%

Source: Bank Negara Malaysia

There are various players in the logistics sector in Malaysia specializing in areas such as freight forwarding, warehousing, haulers, transporters, supply chain logistics, etc. The logistics sector in Malaysia has attracted both local and foreign logistic firms to operate here. The driving factors for these logistics players in favouring Malaysia as a logistics hub are the excellent infrastructure such as roads, communications, ports and airports, supply of skilled labour as well as Malaysia's strategic location between Thailand and Singapore where goods and products are stored before distribution to Singapore.

In fact most of the top global logistics companies (particular 3PLs) are currently operating in Malaysia. Example:

- DHL
- Exel
- CEVA (TNT)
- Schenker
- Maersk
- BAX Global
- Nippon Express

- NYK Logistics
- FedEx
- APL Logistics
- Geodis

These international companies would offer 3PL services such as integrated logistics services, warehousing, freight management, supply chain management, value-added services and distribution services. These companies have set a high standard for logistics services sector in both the Asia Pacific region as well as in Malaysia, whereby companies such as DHL, Exel, Maersk, Fedex are regular finalists and winners of The Asian Freight & Supply Chain Awards (organized annually by Cargonews Asia) for the Best 3PL category.

A recent development in the local logistics market (March 2006), is the arrival of Menlo Worldwide, a leading US based global 3PL to Malaysia by offering its services in Kuala Lumpur and Penang.

In the local front, 3PL providers in Malaysia are generally logistics companies such haulers, freight forwarders, transporters, etc., who have moved up the value chain to provide more logistics services to include warehousing, distribution, supply chain management, etc. Listed below are some of the local total logistics providers:-

- Konsortium Logistik Bhd. (KLB)
- Kontena Nasional Bhd.
- MISC Haulage Services Sdn. Bhd.
- Multimodal Freight Sdn. Bhd.
- Century Logistics Holdings Bhd. (CLHB)
- Integrated Logistics Bhd. (ILB)
- Tiong Nam Transport Holdings Bhd. (TNTHB)
- Mega Logistics Holdings (M) Sdn. Bhd.
- Able group of companies
- NST Logistics Sdn. Bhd.
- Diethelm Logistics Service Sdn. Bhd.
- Sitt Tatt Logistics Sdn. Bhd.
- Freight Masters Logistics Sdn. Bhd.
- Trans Asia Shipping Corp. Sdn. Bhd.

Many of the larger logistics companies are listed in Bursa Malaysia Securities Berhad i.e. KLB, TNTHB, ILB, CLHB etc. Operations of logistics services in Malaysia are generally centered in the Klang Valley (Central) as well as in Penang (North) and Johor (South).

4.2.4 Summary of the Logistics Sector

As Malaysia's economy continues to grow, the role of the transport and logistics sector will be of great importance in supporting that growth. With rising trade (both domestic & international), the demand for logistic services will increase particularly for third-party logistic (3PL) services. Large corporations are increasingly looking into outsourcing their warehousing, logistic and freight requirements to third-party service providers to reduce operating costs and to concentrate on their core business.

Recent such moves include, ILB winning the warehousing and logistics contract in October 2005 from Titan Petchem (M) Sdn. Bhd, a unit of petrochemical giant Titan Group to manage Titan's warehouse operations in Pasir Gudang, Johor. In March 2006, it was announced that Naza Kia Services Sdn. Bhd. the after-sales support division for Kia and Naza vehicles, is outsourcing their central spare parts centre to be managed by Schenker Logistics (Malaysia) Sdn. Bhd.

With the expected growth in the 3PL industry, demand for industrial properties particularly purpose-built warehouses will be on the rise. The preferred locations for the warehouses are generally those in strategic locations near major infrastructure such as ports (sea, air & rail), excellent road infrastructure (i.e. major roads, highways, expressways) and near the population centers (particularly important for the distribution of fast moving consumer goods (FMCGs)). The location is crucial to be effective to move the goods quickly throughout the country.

4.3 Government Initiatives/Incentives for the Manufacturing & Logistics Sector

To promote the manufacturing and logistics sector, the government has laid out several initiatives to attract investments:

a) Free Zones

A Free Zone is an area declared by the Finance Minister under Section 3(1) of the Free Zone Act (FZA) 1990. The Free Zones facilities are steps mainly designed by the government to promote entreport trade and manufacturing activities producing goods essentially for export.

Free Industrial Zones (FIZs) are areas specially established for manufacturing companies that produce or assemble products mainly for export. FIZs enable these export-oriented companies to enjoy minimal customs formalities and duty free import of raw materials, component parts, machinery and equipment required directly in the manufacturing process, as well as minimal formalities in exporting their finished products. To-date, there are 14 FIZs thoughout Malaysia, i.e. Bayan Lepas, Prai, Prai Wharf, Batu Berendam, Tanjung Kling, Sungai Way, Ampang Hulu Klang, Telok Panglima Garang, Johor Port, Jelapang, Kinta Phases 1 & 11, Tanjung Gelang and Sama Jaya.

Free Commercial Zones (FCZs) for commercial activities, which include trading, bulk breaking, grading, repacking, re-labeling and transit. Retail activity is allowed in the FCZ with prior approval from the Minister under Section 6A of the FZA. Within the context of a FCZ, only commercial activities such as trading, break bulking, trading, repacking, re-labeling and transit goods are allowed in the FCZs. Simple manufacturing processes including minor assembly may be allowed with the approval of the authorities. There are currently 12 FCZs in Malaysia (e.g. Northport, Southport and Westport, KLIA, PTP, etc).

A recent move by the government have resulted in the development of Port Klang Free Zone (PKFZ) which fully integrates both the free commercial and industrial zone thereby allowing factories and logistics firms to be located in the same zone.

b) Licensed Manufacturing Warehouses (LMWs)

To enable companies to enjoy FIZ facilities in areas where it is neither practical nor desirable to establish FIZs, companies can set up LMWs. LMWs are accorded facilities similar to factories operating in the FIZs.

c) Incentives for Integrated Logistics Services (ILSs)

ILSs comprise the entire supply chain management, including procurement of software and hardware, warehousing, distribution (transportation and freight services), packaging activities and customs clearance. To promote ILSs, benefits that the government offers are as follows:

(i) Pioneer Status

- Pioneer Status with a tax exemption of 70% of the statutory income for a period of five (5) years; or
- Pioneer Status with a tax exemption of 100% of the statutory income for a period of five (5) years for projects located in the Eastern Corridor of Peninsular Malaysia, Sabah and Sarawak

(ii) Investment Tax Allowance (ITA)

- ITA of 60% on the qualifying capital expenditure incurred within a period of five (5) years. The allowance can be offset against 70% of the statutory income for each year of assessment; or
- ITA of 100% on the qualifying capital expenditure incurred within a period of five (5) years for projects located in the Eastern Corridor of Peninsular Malaysia, Sabah and Sarawak. The allowance can be offset against 100% of the statutory income for each year of assessment.

d) Incentives for Cold Chain Facilities

Companies undertaking cold chain facilities provide a wide range of services including cold room, refrigerated truck and other related services such as the collection, storage and distribution of perishable locally produced food products. Benefits accorded to cold chain facilities are similar to those offered to ILS with the additional benefit of :

- **Exemption from Import Duty and Sales Tax on Machinery and Equipment**
  Companies providing cold chain facilities intending to import machinery and equipment that are not available locally can apply for import duty and sales tax exemption.

e) Incentives for Regional Distribution Centres (RDCs)

A RDC is a collection and consolidation centre for finished goods, components and spare parts produced by its own group of companies for its own brand to be distributed to dealers, importers or its subsidiaries or other unrelated companies within or outside the country. Among the value-added activities involved are bulk breaking, re-packaging and labeling. Benefits/incentives for RDCs are :

- Full tax exemption of its statutory income for 10 years;
- Dividends paid from the exempt income will be exempted from tax in the hands of its shareholders;
- Ability to enter into foreign exchange forward contracts with licensed commercial banks to sell forward export proceeds based on its projected sales; and
- Able to bring in raw materials, components or finished products with customs duty exemption into FIZs, FCZs, LMWs and bonded warehouses for re-packaging, cargo consolidation and integration before distribution to its final consumers.

f) Incentives for International Procurement Centres (IPC)

An IPC is a locally incorporated company, which carries on a business in Malaysia to undertake the procurement and sales of raw materials, components and finished products for its group of related and unrelated companies in Malaysia and abroad. This would include procurement from, and sales made to, local sources and third countries. IPCs would be accorded similar benefits as RDCs.

4.4 Summary of Demand Factors for Industrial Properties

The following points summarize the demand factors for industrial properties:

- Robust economy, which is expected to grow on average 6% in 2006 - 2010 and 6.5% in 2011 - 2020.
- Economy continues to be driven by the manufacturing sector with substantial private investments especially FDIs.
- Growing domestic market with the current population at 26.75 million in 2005, which is expected to grow at an average rate of 1.6% to 28.96 million in 2010.
- Good infrastructure (i.e. transportation and utilities) which is continually being improved and which will support the increase in trade & manufacturing activities and growth in 3PLs as well as to spur economic growth.
- Attractive government incentives for investments in the manufacturing as well as the logistics sector.

Logistics Warehouses

- Growing trend in outsourcing logistics services to 3PLs. More and more companies are realizing the benefits of 3PLs in the global economy.
- Increase in trade activities (both domestic and international) has a direct impact on demand for warehouse space. Annual trade expected to exceed RM1 trillion throughout the 9th Malaysia Plan.
- The 3PL market in Malaysia is expected to grow at 8% to 9% in the next 2 years from US$3.0 billon in 2005 to US$3.25 billion in 2006 and up to US$3.54 billion in 2007

Manufacturing Factories (Food Manufacturing)

- Potential for Malaysia to be the leading international 'halal' food hub with the strong global recognition for JAKIM's 'halal' logo.
- Growing affluence levels are demanding for better quality food particularly in convenience processed food.
- Malaysia's own 'halal' market is estimated to be worth US$5.867 billion annually.

Based on the demand indicators shown above, the overall demand outlook for industrial properties, particularly purpose-built warehouses (i.e. for warehousing and 3PL providers) and factories (i.e. particularly for food manufacturing sector) are expected to be sustained in the immediate term with positive growth prospects in the future. Industrial properties that would be of particular good demand, would be those located in growth areas with good access and those serviced with good infrastructure such as major road networks, expressways, highways and those located in close proximity to sea and air ports (i.e. as per the Atrium REIT portfolio).

5.0 COMPETITIVE STRENGTHS OF THE PROPERTIES

The table below details the competitive strengths of the properties :

Food Manufacturing Properties	
Property	**Competitive Strengths**
Lot 23, Rawang Integrated Industrial Park, Jalan Batu Arang, 48000 Rawang, Selangor Darul Ehsan	• Specially custom-built factory building for the stringent requirements of the food manufacturing industry • Tenanted by ***Unilever,*** the second largest FMCGs company in the world *(Source: Fortune Global 500 2005)* • Strategically located in a mature industrial park area with easy access to the North-South Highway • Achieved high rental rates which are above the market average • Long term tenancy (10+10 years) which is longer than industry standard (3+2 years) • 100% occupied • Freehold land
Third Party Logistics Properties	
Property	**Competitive Strengths**
Lot 7A, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor Darul Ehsan	• Custom-built warehouse building for the logistics sector • Tenanted by ***CEVA (TNT)***, a major international 3PL • Strategically located in a central location of Shah Alam which is near Port Klang, KLIA as well as near the major urban centres in the Klang Valley • Serviced with excellent road infrastructure (i.e. major roads, highways such as Federal Highway, KESAS, NKVE, etc) thus ideally suited for the logistics sector particularly the distribution of FMCGs • Achieved rental rates which are above the market average • Majority of the tenancies are long term tenancies (3+2 years & 5+5 years)* which are longer than industry standard (3+2 years) • 100% occupied • Freehold land

** Only a portion of the property is under an annual tenancy term*

Third Party Logistics Properties	
Property	**Competitive Strengths**
Lot 1-8, Persiaran Jubli Perak, Seksyen 22, 40300 Shah Alam, Selangor Darul Ehsan	• Custom-built warehouse building for the logistics sector • Tenanted by ***Exel***, the world's largest international 3PL in 2005* *(Source : Armstrong & Associates)* • Strategically located in a central location of Shah Alam which is near Port Klang, KLIA, as well as near the major urban centres in the Klang Valley • Serviced with excellent road infrastructure (i.e. major roads, highways such as Federal Highway, KESAS, NKVE, etc) thus ideally suited for the logistics sector particularly in the distribution of FMCGs • Achieved rental rates which are above market average • Long term tenancy (5+5 years) which is longer than industry standard (3+2 years) • 100% occupied • Freehold land
No. 2, Jalan PPU 1, Taman Perindustrian Puchong Utama, Batu 12 ½ Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan	• Custom-built warehouse building for the logistics sector • Tenanted by ***DHL***, the world's largest international 3PL** • Strategically located in a central location of Puchong Klang Valley, which is near Port Klang, KLIA, as well as near the major urban centres • Excellent road infrastructure (i.e. major roads, highways such as Federal Highway, NKVE, LDP etc) thus ideally suited for the logistics sector particularly in the distribution of FMCGs • Achieved rental rates which are above market average • Long term tenancy (8+2 years) which is longer than industry standard (3+2 years) • 100% occupied • Freehold land

**Although acquired by Deutsche Post World Net in 2005, Exel is still considered to be the largest 3PL provider in the world in 2005*
*** With the merger between DHL and Exel, DHL will assume the position as the world's largest 3PL*

5.1 Summary of Atrium REIT Portfolio

Summarizing the competitive strengths of the Atrium REIT portfolio, we are of the opinion that the properties command the following competitive strengths:

CUSTOM-BUILT FACTORIES/WAREHOUSES

With 809,668 sq ft of fully tenanted factories and warehouses, Atrium REIT consists of quality properties, all of which are custom-built buildings to the requirement of the tenants in the food manufacturing sector and logistics sector. With such customized buildings, the tenants are likely to remain renting the subject property in a long term. Further, the buildings are less than 5 years old, thus should require minimal cost for maintenance.

LOCATION

All the properties are strategically located throughout Klang Valley (i.e. 2 in Shah Alam, 1 in Puchong and 1 in Rawang) with good road infrastructure serviced by major roads, expressways and highways and within close proximity to Port Klang, KLIA and major industrial zones. This ensures that there is a strong demand for these properties.

TENANT PROFILE

The Atrium REIT portfolio consists of quality and stable tenants, which are all large and well-known international corporations (i.e. CEVA (TNT), DHL, Exel and Unilever), all of which are ranked in the Fortune Global 500 companies in 2005.

Tenants of the third party logistics properties (i.e. Exel, DHL and CEVA (TNT)) are some of the world's leading Third Party Logistics providers serving major international clients in Malaysia, providing them with total supply chain management services.

Unilever on the other hand is one of the world's leading producers of FMCGSs (2^{nd} ranked company in 2005's Fortune Global 500 list in the Consumer Food Products industry). These international companies with established products and services are generally in for the long haul thus provides stability with low risk of the tenants defaulting in rents and/or moving out.

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TENANCY & OCCUPANCY

All 4 of the properties in the portfolio are single-tenanted for purpose-built functions, or leased to a master lessee thus the occupancy level is 100% for all the properties. Most of the leases are reasonably long (i.e. 5 to 10 years) as compared to market norm of three years. With the long-term tenancies, future rents are secured, thus providing stable rentals and secure yields in the immediate to long term.

RENTS

Due to the strength of the properties in terms of the building quality, quality tenants and strategic location, the properties in the portfolio are commanding rents that are above the average market rents. Furthermore, most of the tenancy agreements have allocations for rent increases, which provide avenue to improve net yields in the future.

LAND TENURE

All the properties in the portfolio are freehold, whereby most other industrial properties are leasehold in nature.

5.2 Conclusion

As a conclusion, the Atrium REIT portfolio consists of custom-built, quality and strategically industrial properties in the manufacturing as well as in the logistics sector. The properties have managed to attract quality international tenants with rents and tenancies that are considered above market average rates. This speaks volumes for the management team of Atrium REIT in its ability to build quality assets with high demand and good yields.

Yours faithfully
AZMI & CO SDN. BHD. (77155-D)
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