Independent Property Market Report | May 2021

Date: 10th May 2021

The Board of Directors
IGB REIT Management Sdn Bhd
Level 32, The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur

Dear Sirs / Madam,

INDEPENDENT PROPERTY MARKET REPORT FOR THE INITIAL PUBLIC OFFERING OF IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST

Savills (Malaysia) Sdn Bhd ("Savills") was commissioned by IGB REIT Management Sdn Bhd ("IGB REIT Management") to provide an Independent Property Market Report ("Report") for the specific purpose of inclusion into IGB Commercial Real Estate Investment Trust's ("IGB Commercial REIT") Prospectus, in connection with IGB Commercial REIT's proposed initial public offering and listing of IGB Commercial REIT on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). This Report is required for submission to the Securities Commission Malaysia ("SC") and/or relevant parties, in accordance with the requirements of the Prospectus Guidelines issued by the SC.

It is understood that MTrustee Bhd, being the proposed trustee for IGB Commercial REIT, will on behalf of IGB Commercial REIT acquire a portfolio of real estate used primarily for office purposes in the Greater KL ("Subject Properties"). Accordingly, this Report aims to provide an overview of the office property market in the Greater Kuala Lumpur. This will include a macroeconomic overview, regulatory overview, state economic overview and submarket analysis of the subject properties.

In accordance with our normal practice, we would state that this Report has been prepared for general information purpose only and do not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and we accept no responsibility to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

Our findings are based on the assumptions given. As is customary with market studies, our findings should be subject to review at regular intervals.

While reasonable care has been exercised in preparing the Report, it is subject to change and these particulars do not constitute, nor constitute part of, an offer or contract. Interested parties should not rely on the statements or representations of fact but must satisfy themselves by inspection or otherwise as to the accuracy. The estimates and conclusions contained in this Report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect.

This Report is subject to the following limiting conditions:

- The projections/estimates made by Savills are based on public and private sources, as well as internal estimates that are subject to change and may prove to be incorrect. Readers of the information should be aware that actual results may differ from those projected/estimated. In light of the limitations on the projections/estimates and information described above, readers are cautioned not to place undue reliance on this information.
- Any plan or map in this Report is included to assist the readers in visualising the Subject Properties. We have made no survey of the Subject Properties and assume no responsibility in connection with such matters.

For and on behalf of
SAVILLS (MALAYSIA) SDN BHD

DATUK SR. PAUL KHONG
MRICS FRISM APEPS
Chartered Surveyor
Managing Director

Independent Property Market Report | May 2021

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Contents

1. Terms of Reference

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Independent Property Market Report | May 2021

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2. Malaysia Economic Overview and Outlook

2.1. Key Economic Indicator

Figure 2.1 Malaysia Economic Data Overview, 2010 – 2020

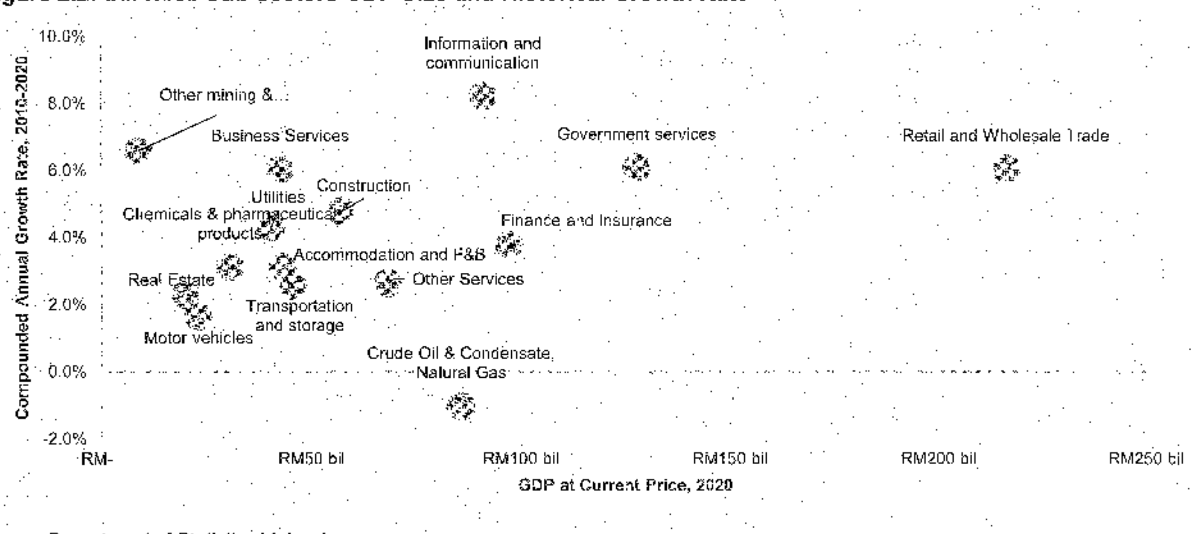
Key Indicators	CAGR	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real GDP at 2010 Constant Prices (bil)	4.0%	**RM 821**	**RM 865**	**RM 912**	**RM 955**	**RM 1,012**	**RM 1,064**	**RM 1,109**	**RM 1,174**	**RM 1,231**	**RM 1,284**	**RM 1,212**
Agriculture (bil)		RM 83	RM 89	RM 89	RM 91	RM 93	RM 94	RM 90	RM 96	RM 96	RM 98	RM 96
Mining and Quarrying (bil)		RM 90	RM 85	RM 87	RM 88	RM 91	RM 96	RM 98	RM 98	RM 96	RM 94	RM 85
Manufacturing (bil)		RM 193	RM 203	RM 212	RM 219	RM 233	RM 244	RM 255	RM 270	RM 284	RM 294	RM 286
Construction (bil)		RM 28	RM 30	RM 35	RM 39	RM 43	RM 47	RM 50	RM 54	RM 58	RM 56	RM 45
Services (bil)		RM 420	RM 450	RM 479	RM 508	RM 541	RM 570	RM 602	RM 640	RM 683	RM 725	RM 685
Real GDP Growth (%)		-	5.3%	5.5%	4.7%	6.0%	5.0%	4.4%	5.7%	4.7%	4.3%	-5.6%
GDP Per Capita at Current Prices		RM 28,733	RM 31,372	RM 32,913	RM 33,714	RM 36,030	RM 37,739	RM 39,505	RM 42,834	RM 44,682	RM 46,369	RM 43,334
Consumer Price Index, 2010=100	2.2%	100.0	103.2	104.9	107.1	110.5	112.8	115.2	119.5	120.7	121.5	120.6
Unemployment Rate (%) *(as at end of year)*	-	3.3%	3.1%	3.0%	3.1%	2.9%	3.1%	3.4%	3.4%	3.3%	3.2%	4.8%
Overnight Policy Rate *(as at end of year)*	-	2.8%	3.0%	3.0%	3.0%	3.3%	3.3%	3.0%	3.0%	3.3%	3.0%	1.75%
Average Base Lending Rate	-	6.0%	6.5%	6.5%	6.5%	6.7%	6.8%	6.7%	6.7%	6.9%	6.8%	5.80%
Exchange Rate, US$1.00 to RM *(as at end of year)*	-	3.084	3.177	3.058	3.282	3.495	4.292	4.486	4.062	4.139	4.093	4.017
Real Domestic Aggregate Demand (bil)	5.1%	**RM 683**	**RM 736**	**RM 815**	**RM 875**	**RM 927**	**RM 974**	**RM 1,016**	**RM 1,082**	**RM 1,141**	**RM 1,191**	**RM 1,121**
Total Growth			7.8%	10.7%	7.4%	5.9%	5.1%	4.3%	6.5%	5.5%	4.4%	-5.9%
Private final consumption expenditure	5.9%	RM 395	RM 422	RM 458	RM 491	RM 525	RM 557	RM 590	RM 631	RM 680	RM 732	RM 701
Government final consumption expenditure	5.1%	RM 103	RM 118	RM 124	RM 132	RM 137	RM 144	RM 145	RM 153	RM 158	RM 161	RM 167
Gross fixed capital formation	3.2%	RM 184	RM 196	RM 233	RM 252	RM 264	RM 274	RM 281	RM 299	RM 302	RM 296	RM 253
Approved Investments (bil)	-	**RM 90 bil**	**RM 121 bil**	**RM 159 bil**	**RM 200 bil**	**RM 222 bil**	**RM 189 bil**	**RM 205 bil**	**RM 185 bil**	**RM 191 bil**	**RM 204 bil**	**RM 158 bil**
Total Growth (%)	-	-	34.5%	31.6%	26.0%	10.8%	-14.6%	8.2%	-9.8%	3.3%	7.1%	-28.9%
Manufacturing - Domestic Investments	-	RM 14 bil	RM 22 bil	RM 20 bil	RM 22 bil	RM 32 bil	RM 53 bil	RM 31 bil	RM 42 bil	RM 29 bil	RM 28 bil	RM 35 bil
Manufacturing - Foreign Investments	-	RM 20 bil	RM 34 bil	RM 21 bil	RM 31 bil	RM 40 bil	RM 22 bil	RM 27 bil	RM 22 bil	RM 58 bil	RM 54 bil	RM 57 bil
Services - Domestic Investments	-	RM 50 bil	RM 48 bil	RM 105 bil	RM 129 bil	RM 132 bil	RM 102 bil	RM 118 bil	RM 92 bil	RM 87 bil	RM 97 bil	RM 60 bil
Services - Foreign Investments	-	RM 6 bil	RM 16 bil	RM 12 bil	RM 19 bil	RM 18 bil	RM 12 bil	RM 28 bil	RM 29 bil	RM 17 bil	RM 25 bil	RM 7 bil
Gross FDI Inflows	4.2%	**RM 93 bil**	**RM 103 bil**	**RM 108 bil**	**RM 104 bil**	**RM 112 bil**	**RM 122 bil**	**RM 144 bil**	**RM 157 bil**	**RM 144 bil**	**RM 139 bil**	**RM 140 bil**
Total Growth (%)	-	30.0%	11.3%	4.3%	-3.3%	8.1%	8.2%	18.0%	9.2%	-8.0%	-3.3%	-
Manufacturing	3.3%	RM 55 bil	RM 59 bil	RM 63 bil	RM 55 bil	RM 57 bil	RM 67 bil	RM 63 bil	RM 71 bil	RM 79 bil	RM 69 bil	RM 74 bil
Services	7.2%	RM 29 bil	RM 34 bil	RM 30 bil	RM 32 bil	RM 37 bil	RM 40 bil	RM 53 bil	RM 53 bil	RM 49 bil	RM 52 bil	RM 58 bil
Mining and Quarrying (including oil and gas)	-1.5%	RM 8 bil	RM 10 bil	RM 13 bil	RM 15 bil	RM 16 bil	RM 12 bil	RM 23 bil	RM 30 bil	RM 15 bil	RM 14 bil	RM 7 bil
Construction	12.5%	RM 0.4 bil	RM 0.5 bil	RM 0.8 bil	RM 1.5 bil	RM 1.6 bil	RM 2.4 bil	RM 4.7 bil	RM 2.8 bil	RM 1.7 bil	RM 3.7 bil	RM 1.3 bil
Agriculture, Forestry and Fishing	-	RM 0.01 bil	RM 0.2 bil	RM 0.3 bil	RM 1.0 bil	RM 0.5 bil	RM 0.05 bil	(RM 0.2 bil)	RM 0.2 bil	RM 0.1 bil	RM 0.4 bil	RM - 0.1 bil
National Population	1.3%	28,588,600	29,062,000	29,510,000	30,213,700	30,708,500	31,186,100	31,633,500	32,022,600	32,382,300	32,581,400	32,657,000
Average Population per Sq Km		87	88	89	91	93	94	96	97	98	99	99
Average Monthly Household Income	7.8%	n.a.	n.a.	RM 5,000	n.a.	RM 6,141	n.a.	RM 6,958	n.a.	n.a.	n.a.	n.a.

Source: Department of Statistics Malaysia ("DOSM"), Bank Negara Malaysia ("BNM"), Ministry of Finance ("MOF"), Malaysian Investment Development Authority ("MIDA"), Malaysia Institute of Economic Research ("MIER"), Ministry of Tourism Malaysia, Savills Research

2.2. Malaysia Economy Overview

- **Gross Domestic Product ("GDP").** Having grown at a CAGR of 4.0% since 2010, the Malaysian economy was severely impacted by the coronavirus ("COVID-19") pandemic in 2020 and recorded a decline of 5.6% Gross Domestic Product ("GDP") growth for the full year. In Q4/2020, the country's GDP recorded negative growth of 3.4%, which was the third consecutive quarterly contraction after having registered contractions of 17.1% in Q2/2020 and 2.6% in Q3/2020. The sharp contraction of GDP in Q2/2020 was the result of the implementation of the Movement Control Order ("MCO") from 18th March 2020. Following that, the country's unemployment rate hit an all-time high of 5.3% in May 2020.
  The Malaysian economy improved significantly in Q3/2020, with a slower pace of contraction by 2.7%. This is in line with the reopening of economy and the transition from Conditional Movement Control Order ("CMCO") to the Recovery Movement Control Order ("RMCO") due to the global outbreak of the COVID-19 pandemic. Recovery was seen across most economic sectors especially the manufacturing sector.
  Economic conditions weakened in Q4/2020 as some states were placed under CMCO in mid-October 2020, with travel restrictions imposed on inter-district and inter-state travel. Unemployment improved somewhat to 4.8% in December 2020, according to the Department of Statistics Malaysia ("DOSM").
- **Real Domestic Aggregate Demand.** The growth of Malaysia's economy over the past decade has been primarily fueled by domestic demand, which has expanded at 5.1% CAGR since 2010, compared to 4.0% for GDP growth during the same period. This is led by private sector expenditure which registered an average annual growth of 5.9% since 2010. Notably, household debt increased at a similar rate of 8.9% during the same period, signifying a growth led by debt instead of productivity.
- **Sector Performance.** Since 2010, the services sector has been the largest contributor to GDP growth, followed by the manufacturing sector. The importance of services sector has also increased from 51.0% of GDP in 2010 to 57.7% of GDP in 2020, while the manufacturing sector remained constant at between 22.7% and 22.9% of GDP.
- **Services Sub-sectors.** The growth is led by the Information and Communication, which expanded by almost 8.2% CAGR since 2010. Retail and Wholesale Trade remained the largest sub-sector at 27.0% share, recorded 6.0% CAGR since 2010. Notably, high-value sub-sectors such as Finance and Insurance, and Business Services and Real Estate has expanded by 3.8% to 4.8% CAGR during the same period and are now accounting for 19.6% share of the Services sector. These high-value subsectors, combined with Government Services, are the largest source of office space demand in Greater Kuala Lumpur ("GKL").

Figure 2.2: Services Sub-sectors GDP Size and Historical Growth Rate

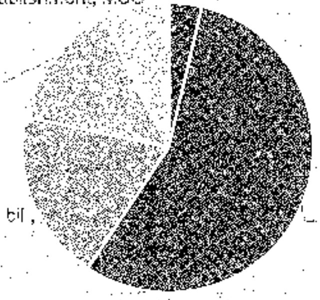


Source: Department of Statistics Malaysia

- **Investments.** In 2020, approved investments of RM164.0 billion was recorded, which is 28.9% lower as compared to the preceding year. This is attributable to the onset of the COVID-19 pandemic which caused a global slowdown, with most countries having closed their international borders to contain the virus. This has subsequently dampened investments, especially in the services sector. As at 2020, 60.9% (RM99.8 billion) of the approved investments comprise domestic investments while the remaining were from foreign investments. There are 3,527 approved projects worth RM66.7 billion in the services sector compared with 4,233 projects worth RM121.6 billion recorded in the preceding year.

- **Investment into Services Sector.** In 2020, the services sector accounted for 40.7% share of the RM164 bil approved. Most of these investments were to real estate transactions (RM31 bil) and other sub-sectors (RM23 bil) comprising of utilities, telecommunications, distributive trade and others. The high-value sub-sectors of financial services, support services, global establishment and Multimedia Super Corridor ("MSC") status recorded at RM12 bil, which will be a significant source of demand for office space. The approved investments for services sector in 2020 declined significantly attributable to disruption of business activities and close of international border.

Figure 2.3: Approved Private Investments, 2020



Source: MIDA

2.2.1. Economic Outlook

- Malaysia's economic outlook for 2021 is expected to recover tentatively into 2022, as the country begins rolling out mass vaccination for the population. This would in turn normalize and resume the global economic activities in phases, where trade activities are expected to resume together with the recovery of consumer demand. The current Malaysian government's plan of nation-wide vaccination programme is to have 80% of the population vaccinated by Q1/2022. The National COVID-19 Immunisation Programme will be conducted in three (3) phases of which Phase 1 started on 26th February 2021 for medical front liners, and Phase 2, from 19th April 2021 will cover the elderly and disabled groups while the third phase will involve adults aged 18 and scheduled to commence in May 2021.
- The Malaysian Government has taken prudent approaches to fight the rapid outbreak of COVID-19, through implementation of various forms of movement restriction via the Movement Control Order (MCO) beginning 18 March 2020. There have been relaxations of the movement restrictions since then, with targeted restrictions implemented in red zones. These measures have been implemented by the National Security Council as a means to manage the pandemic and balance it with economic activities. The series of total and partial shutdown of many businesses in the country during the MCO period has triggered financial distress for some business-owners. The business sectors that are most impacted by the MCO include, amongst others, tourism and hospitality, aviation, retail, services, and manufacturing. However, as businesses are gradually reopening under the RMCO, economy activities are entering the recovery mode. The implementation of MCO 2.0 in January 2021 for most states allowed more economic sectors to continue their businesses guided by stricter standard operating procedure and safety requirements. The MCO 2.0 was relaxed to CMCO for most of the States from 19th February 2021 while Greater KL, Penang and Johor entered CMCO effective 5th March 2021 onwards.
- Based on Economic and Monetary Review 2020 Report released by BNM in March 2021, the country's economic condition is expected to recover in 2021 at projection of 6.0% to 7.5%. The recovery will be supported by stronger external demand with improvement in global economy coupled by higher public and private expenditure. The government's implementation of the National COVID-19 Immunisation Programme in stages will drive the gradual recovery of both business and consumer sentiments. The World Bank in March 2021 has lowered its GDP forecast for the country from 6.7% to 6.0%, by taking into consideration the recent spike in pandemic cases, political uncertainty and a slower progress of vaccine deployments in advanced economies. The country's growth in 2021 is expected to be underpinned by gradual strengthening of domestic demand with rolling out of vaccine in phases and a cautious improvement in external demand.

2.3. Greater KL Economy Overview

Figure 2.4: Greater KL Economic Data Overview (2010 – 2019)

Key Indicators	CAGR	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Real GDP at Constant 2010 Prices (RM bil)[1,2]	6.5%	290.8	310.3	332.4	353.2	379.4	400.9	422.0	452.5	483.5	514.4
Real GDP Growth (%)[2]	-		6.7%	7.1%	6.2%	7.4%	5.6%	5.3%	7.2%	6.9%	6.4%
GDP Per Capita at Current Prices (RM)[1,2]	7.4%	96,993	105,153	113,872	120,279	131,091	140,573	149,012	162,195	172,821	184,467
Real GDP by Economic Activity											
Services	-	75.2	75.0	74.7	74.6	74.0	74.7	74.9	74.5	74.9	71.4
Manufacturing	-	17.0	17.0	16.5	16.4	16.5	15.6	15.5	15.5	15.5	18.6
Agriculture	-	1.1	1.1	1.1	1.0	0.9	0.8	0.7	0.7	0.7	0.8
Others	-	6.7	7.0	7.6	8.1	8.7	9.0	9.0	9.4	8.9	9.2
Approved Investments (RM bil)											
Manufacturing - Domestic	-	23.6	4.7	7.5	6.3	3.8	4.2	4.7	3.6	8.3	6.8
Manufacturing - Foreign	-	34.2	4.3	4.4	3.6	3.2	3.8	3.4	2.2	10.9	10.4
Population (mil)	1.6%	7.18	7.29	7.40	7.63	7.76	7.96	8.08	8.17	8.27	8.31
Employment											
Labour Force (mil)	2.9%	3.45	3.55	3.69	3.91	3.97	4.10	4.18	4.33	4.39	4.46
Employed (mil)	2.9%	3.34	3.46	3.60	3.81	3.89	3.99	4.04	4.20	4.27	4.33

NOTE: [1]*Compounded annual growth rate (CAGR) applies for earliest to latest available data*
[2]*Real GDP and GDP per capita from 2010 onwards were based on latest available data from Department of Statistics (DOS)*
Source: Department of Statistics Malaysia

- GKL is defined the Federal Territory of Kuala Lumpur, Federal Territory of Putrajaya and ten (10) municipalities in Selangor. For the purpose of this economy overview, the data shown are a combination of the Federal Territory of Kuala Lumpur and state of Selangor.
- The region recorded a GDP growth of 6.4% in 2019, higher than the 2019 national GDP growth of 4.3%, and has a 2010-2019 CAGR of 6.5%. GDP per capita which has increased by 6.7% in 2019 to RM184,467. The contribution of GKL to the national economy is almost 40.0%, with 71.4% of its economic activities from the services sector, followed by 18.6% from the manufacturing sector and 0.8% from the agriculture sector.
- The population of GKL is estimated to be at 8.31 million persons in 2019, having grown by a CAGR of 1.6% since 2010. In the Greater Kuala Lumpur, Federal Territory of Kuala Lumpur recorded the highest household income in the country, followed by Federal Territory of Putrajaya and Selangor.

2.4. Federal Government Development Plans & Policies

2.4.1. Economic Stimulus Package

- The COVID-19 outbreak has prompted governments around the world to introduce economic stimulus packages to avoid breakdown in the economy. The Malaysian government has also announced stimulus packages in six (6) stages, totaling RM320 billion in 2020 and early 2021.
- The following table summarizes the various measures:

Figure 2.5: Key Measures of the Economic Stimulus Package Measures

Details		Value
27th February 2020: Extra Economic Stimulus Package 2020 (PRE 2020) Measures		
Human Capital Development	• Government is providing up to RM 100 million on a matching grant basis to HRDF to fund tourism and affected sectors. • Government is subsidizing short courses in digital skills & highly skilled course which amounted RM 50 million.	RM 150 million
Assistance for Affected Individuals	• Ministry of Health has purchased relevant equipment, medicine and consumables to contain COVID-19.	RM 150 million
Stimulate Tourism Sector	• Digital vouchers for domestic tourism of up to RM100 per person for domestic flights, rails and hotel accommodations.	RM 500 million
Rakyat's Assistance	• Allocation to FAMA to provide food storage facilities to reduce food prices. • Allocation of RM 20 million to Malaysian Digital Economy Corporation (MDEC) to transform Pusat Internet Desa into e-commerce hubs.	RM 30 million
Promoting Quality Investments	• A Co-Investment fund to be co-invested and matched by private investors on a ratio of at least 1 to 3, making the total funds amount to RM 2 billion.	RM 500 million
27th March 2020: Economic Stimulus Package Prihatin Rakyat (PRIHATIN)		
Bantuan Prihatin Nasional	• Cash payout to B40 and M40 group to support cost of living.	RM 10.0 billion
Wage Subsidy	• A salary of RM 600 per month to every employee for 3 months dedicated to workers earning less than RM4,000 and employers experiencing more than 50% decrease in income since 1 January 2020.	RM 5.9 billion
Infrastructure Projects	• Continuation of projects allocated in Budget 2020 including ECRL, MRT 2 and National Fiberisation and Connectivity Plan(NFCP).	RM 2.0 billion
Healthcare (COVID-19)	• Increment of monthly allowance to healthcare and other front liners until end of outbreak. • Allocation for medical supplies, contract nurses and healthcare spending. • Daily allowance of RM 50 for up to 14 days under mySalam including individuals quarantined as patients under investigation.	RM 1.5 billion
Food Security Fund	• To ensure sufficient food supply, government will channel various assistance to increase domestic production besides the allocation of RM 1 billion.	RM 1.0 billion
Micro Credit Scheme	• Additional funds of RM 500 million under Micro Credit Scheme to a total of RM 700 million. • Soft loans at 2% interest rate without collateral with minimum of 6 months of operation is required for all micro-entrepreneurs who are interested to the scheme.	RM 0.5 billion
Assistance for Tertiary Student	• RM200 cash payout to students of higher education. • Determent of PTPTN and PTPTK loan repayments for 6 months.	RM 270 million
6th April 2020: PRIHATIN PLUS for SMEs		
Wage Subsidy	• Additional Job Retention Program: Wage subsidy raised from RM5.90 billion to RM13.8 billion.	RM 7.9 billion
PRIHATIN Special Grant	• A special grant of RM3,000 provided to each qualifying micro SME.	RM 2.1 billion

Source: Prime Minister Office

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Figure 2.5: Key Measures of the Economic Stimulus Package Measures (Cont'd)

Details		Value
5th June 2020: Malaysia Short-Term Economic Recovery Plan 2020		
Reintroduction of Home Ownership Campaign (HOC)	• Exemption of Stamp Duty on instrument of transfer (First RM1 million of House Price only) and on loan agreement (full exemption). This is applicable for purchase of residential homes priced between RM300,000 to RM2.5 million registered under HOC campaign.	-
Exemption of Real Property Gains Tax (RPGT)	• Exemption of RPGT for disposal of up to three (3) units of residential homes.	-
Uplifting of Financial Limit for Third Housing Loans	• The existing financing limit of 70% margin on housing loan for third (3rd) residential property valued at RM 600,000 and above will be lifted.	-
Malaysia as attractive FDI Destination	• 0% tax rate for 10 to 15 years on new investment in fixed assets (subject to investment amount) for company in manufacturing industry. • 100% Investment Tax Allowance for 3 years on existing company in Malaysia that relocate over sea's manufacturing facilities into Malaysia. • Special Reinvestment Allowance for manufacturing and selected agriculture activity, for Assessment Year 2020 and 2021. • Approval for manufacturing license for non-sensitive industries will be issued within two (2) working days • Establishment of Project Acceleration & Coordination Unit (PACU) to accelerate the implementation and coordination of approved investment projects.	-
Tourism Tax Exemption	• Exemption of tourism tax will be given to foreign tourists staying in Malaysia until 30 June 2021.	-
PENJANA Tourism Financing	• Financing facility up to RM1 billion to finance transformation initiatives by SMEs in the tourism sector.	RM 1.0 billion
PENJANA SME Financing	• The banking sector will allocate RM2 billion funding to assist SMEs, with a cap of RM500,000 per SME.	RM 2.0 billion
E-commerce	• "Shop Malaysia Online" campaign to encourage online consumer consumption through e-commerce voucher	RM 70 million
Business Digitalisation	• SME Digitalisation Matching Grant totalling RM100 million, in partnership with telecommunication companies • SME Technology Transformation Fund totalling RM500 million loan (application opens from July 2020) • Smart Automation Grant totalling RM100 million, capped at up to RM1 million per company.	RM 700 million
23rd September 2020 – KITA Prihatin		
Reintroduction on PRIHATIN Special Grant (GKP)	• Expand eligibility for micro traders registered or holding a business license with SSM or Local Authority until 31st August 2020	-
BPN 2.0	• Additional cash handouts to the B40 and M40 income group	-
18th January 2021 - PERMAI		
Procurement of Vaccine	• Allocation for the procurement of Covid-19 Vaccine, and vaccination is scheduled to start as early as March 2021.	RM 3.0 billion
Recruitment of Healthcare Personnel	• Allocation for recruitment of 3,500 new healthcare personnel, including Assistant Medical Officers, Paramedics, laboratory technicians and nurses.	RM 150 million
Treatment of Covid-19 at Private Hospital	• RM100 million is allocated for Private Hospital to admit and provide treatment for Covid-19 patients.	RM 100 million
Wage Subsidy Program 3.0	• The enhanced program is open to all employers operating within states that under MCO 2.0, irrespective of sector	RM 1.0 billion

Source: Prime Minister Office

2.4.2. Budget 2021

- This Budget 2021 tabled by the current Perikatan Nasional government and was formulated based on three (3) integral goals revolving around the Rakyat's well-being, business continuity and country's economic resilience. 14 budget strategies have been identified in the Malaysia Budget 2021. They are as follows:

  1. Overcoming COVID-19 pandemic
  2. Safeguarding the welfare of vulnerable communities
  3. Generating and retaining jobs
  4. Prioritizing the inclusiveness agenda
  5. Ensuring Rakyat well-being
  6. Steering high impact investment
  7. Strengthening focus sectors
  8. Prioritizing automation and digitalization
  9. Enabling business accessibility
  10. Expansionary budget
  11. Development Agenda under the 12th Malaysia Plan
  12. Strengthening GLC and Civil Society Roles
  13. Ensuring resource sustainability
  14. Civil Service

- A total of RM322.5 billion or 20.6% of the gross domestic product (GDP) will be allocated for Budget 2021, out of which 73.3% or RM236.5 billion is for operating expenditure (OE) while 21.4% or RM69 billion is for development expenditure (DE). The balance of RM17 billion will be reserved for the COVID-19 fund.

- The following table summarizes key points from Budget 2021 that are related to the employment segments.

Figure 2.6: Key Points of Malaysia Budget 2021

Malaysia Budget 2021

• Government will implement the Skim Jaminan Penjanaan Pekerjaan (JaminKerja), which will provide 500,000 new job opportunities including skills development and retraining programmes worth RM3.7billion.
• Government will allocate a total of RM 2billion to increase the employment opportunities for 250,000 job-seekers under the hiring incentive programme of PERKESO, which is now known as PenjanaKerjaya.
• The formation of a National Jobs Council which will be chaired by the Prime Minister. The council will coordinate various initiatives cutting across ministries and agencies which create job opportunities, skills enhancement and training for employees.
• An allocation of RM1 billion for reskilling and upskilling programmes and expecting to benefit 200,000 trainees. The programmes are as follows:
  ▪ RM150 million will be allocated for the Ministry of Higher Education professional certification (KPT PACE) whereby fresh graduates will each be eligible for a voucher worth RM3,000 to pursue a professional certification course at public or private universities.
  ▪ RM100 million allocated to Human Resources Development Fund (HRDF) to implement trainings in collaboration with private-sector employers;
  ▪ RM100 million for MDEC to transition existing workforce to fill the growing needs in the ICT industry.
  ▪ RM100 million to regional corridor authorities, mainly IRDA and SEDIA to provide new skills training to workers that badly affected by the closure of borders.
  ▪ RM 30 million to PERHEBAT for entrepreneurship training programmes, which to benefit veterans of the Malaysian Armed Forces.
• The scope of relief for tuition fee be expanded to cover expenditures incurred for attending upskilling courses provided by certified bodies limited to RM1,000 for each year of tax assessment.

Source: Budget 2021 Official Speech, Ministry of Finance, Savills Research

2.4.3. Shared Prosperity Vision 2030

- The previous Pakatan Harapan government has tabled the Shared Prosperity Vision 2030 ("SPV 2030") that is aimed to bring stability to the Government's finance and achieving the original goal of Vision 2020 with a new growth trajectory. This blueprint was launched on 5 October 2019 in order to outline the path to a decent standard of living for all Malaysians by 2030, and will continue to be adopted by the current Perikatan Nasional government.
- The core objectives for this vision are:
  - Restructure Malaysian economy to be more progressive, knowledge-based and high-valued with full community participation at all levels
  - To address economic inequalities across income groups, ethnicities, regions and supply chains to protect and empower the citizen in ensuring that no one is left behind
  - To build Malaysia as a united, prosperous and dignified nation and subsequently becoming a centre of Asia.
- The vision of SPV 2030 is centered on equitable outcome for all income groups, ethnicities, regions & supply chains and aims to provide a decent standard of living to all Malaysians by 2030. 15 Key Economic Growth Activities have been identified, and are planned within seven strategic thrusts for implementation.

1. Islamic Finance Hub 2.0
2. Digital Economy
3. Industrial Revolution
4. Content Industry
5. Smart & High Value Agriculture
6. Advanced & Modern Services
7. Malaysia Truly Asia 1
8. ASEAN Hub
9. Halal & Food Hub
10. Commodity Malaysia 2.0
11. Logistic, Transportation & Sustainable Mobility
12. Coastal & Maritime Economy
13. Centres of Excellence
14. Renewable Energy
15. Green Economy

Figure 2.7: Strategic Thrusts of SPV 2030

Strategies	Example of Targets
Strategic Thrust 1: Business & Industry Ecosystem	✓ Small and medium enterprise (SME) and micro businesses to contribute 50.0% of GDP ✓ To create 30.0% high technology companies from total SMEs in manufacturing and services subsectors ✓ At least 20.0% of high technology Bumiputera SMEs in each subsector ✓ Bumiputera SMEs to contribute 20.0% of GDP
Strategic Thrust 2: Key Economic Growth Activities	✓ 2/5 of total investment is in machinery and equipment ✓ Increased contribution of high-tech subsector such as manufacturing (50.0%) and services (30%) ✓ Malaysia to build resilient key new sectors: Islamic Finance Hub 2.0, Renewable Energy, Green Economy, Commodity 2.0, Centres of Excellences and ASEAN Hub
Strategic Thrust 3: Human Capital	✓ 35.0% of high-skilled workers in labour force ✓ Majority of workforce in high-skill jobs and future economic sectors will be Bumiputera ✓ 40.0% of Human Resource Development Fund (HRDF) training in skills related to Industry 4.0 (4IR) ✓ At least 60.0% of SPM leavers to pursue TVET field ✓ Program offerings at universities and training institutes will be tailored to the needs and requirements of industries ✓ Increase local and Bumiputera employees in management and professionals in Multinational Companies (MNCs)
Strategic Thrust 4: Labour Market & Compensation of Employees	✓ Malaysian labour market is free from discrimination over age, gender, ethnicity and religion ✓ Average salary increment to ¾ of annual productivity value increases ✓ Address acts of economic sabotage and discrimination ✓ Increase labour productivity growth in line with quality of technology in industry by sector ✓ Reduce the total number of foreign workers by implementing sector-based thresholds ✓ Increase contribution of Bumiputera Compensation of Employees (CE) to GDP
Strategic Thrust 5: Social Wellbeing	✓ Equality in merit-based median salary ratio ✓ Measure poverty level by using relative poverty index ✓ Build day care centres in every locality ✓ Affordable housing cost to be determined using the Housing Cost Burden (HCB) approach, which is less than 30% of monthly median household income in Malaysia
Strategic Thrust 6: Regional Inclusion	✓ Integrated urban-rural public transportation system ✓ 10 listed companies in each developing state, half of which are Bumiputera ✓ Reduce income disparity between regions by half ✓ Reassess quantity and quality of Malay reserve land ✓ Introduce new regional economic hotspots particularly outside Klang Valley areas ✓ Ensure the nation's Critical Infrastructure Development Plan is realized
Strategic Thrust 7: Social Capital	✓ Achieve positive increase for Unity Index, Integrity and Anti-Corruption Indicator, Religious Harmony Index, Environmental and Climate Change Index, Anti-Drug Index, Crime Prevention Index, Neighborhood Harmony Index and Rakyat Health Index

Source: SPV 2030, Savills Research

2.4.4. Infrastructure Development

- Infrastructural development is the basis for economic growth. In Malaysia, public spending on public utilities and transport were RM2.3 billion and RM12.8 billion respectively for year 2020. Cumulative spending on these two components were RM40.0 billion and RM112.8 billion from 2010 to 2020, respectively, accounting for 7.7% and 21.8% of the aggregate public development expenditure over the period.
- Several rail-oriented transportation developments have been reviewed. Most projects will continue with cost reviews, with the latest transportation developments announced in Budget 2021 being the Mass Rapid Transit 3 ("MRT 3") and Singapore-Johor Bahru Rapid Transit System. In January 2021, the High Speed Rail ("HSR") connecting Kuala Lumpur and Singapore was terminated by the Malaysia and Singapore Government after failing to come to an agreement.

Figure 2.8: New Infrastructure Developments

Development	Route	Length (km)	Scheduled Completion	Status
East Klang Valley Expressway (EKVE)	Sg. Long – Ukay Perdana	36 km	2021	Under construction. No changes to original plan.
West Coast Expressway	Banting - Taiping	233 km	2021	Under construction. No changes to original plan.
Sungai Besi–Ulu Klang Elevated Expressway (SUKE)	Sungai Besi – Ulu Klang	32 km	2021	Under construction. No changes to original plan.
Damansara - Shah Alam Elevated Expressway ("DASH")	Shah Alam - Damansara Perdana	20.1km	2021	Under construction. No changes to original plan.
Kuala Lumpur Mass Rapid Transit (MRT 2)	Damansara Damai-Putrajaya Sentral	52 km	Phase 1: 2021 Full Phase: 2022	Under construction. No changes to original plan.
Kuala Lumpur Light Rail Transit (LRT 3)	One Utama-Johan Setia (Klang)	37 km	2024	Under construction. One underground station was cancelled due to high construction cost.
East-Coast Rail Link	Port Klang-Kota Bharu	640 km	2026	Under construction.
Singapore-Johor Bahru Rapid Transit System	Bukit Chagar-Woodlands North	4 km	2026	Construction commenced on 22nd Nov 2020 for Bukit Chagar Station, Johor and Woodlands North Station officially kickstarted on Jan 22 2021.
Kuala Lumpur MRT 3	Ampang Jaya-TRX-Bandar Malaysia-Mont Kiara-Sentul	40 km	-	Announced in Budget 2021

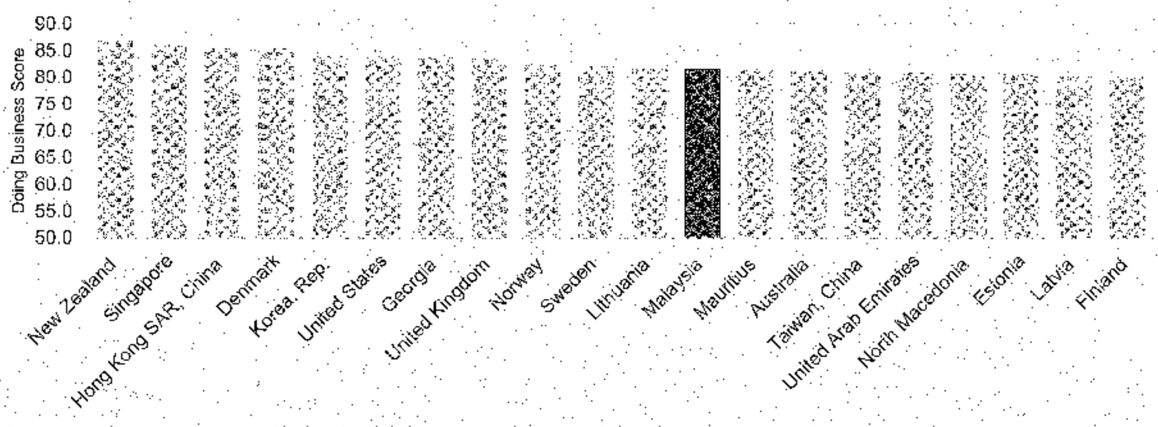
Note: km - kilometer
Source: Lembaga Lebuhraya Malaysia, Savills Research

2.5. Malaysia Business Environment

2.5.1. Doing Business 2020

- Published by the World Bank, Doing Business 2020 is an annual study that surveys regulations governing business activities. The survey presents quantitative indicators on business regulations and the protection of property rights across 190 economies under coverage.
- In the 2020 edition, Malaysia has been ranked in the 12th position out of 190 economies worldwide, representing an improvement from the 15th position in 2019. Within Asia, Malaysia is ranked 4th after the developed economies of Singapore, Hong Kong and Korea.
- Areas that Malaysia has scored highly in the indicators include dealing with construction permits, getting electricity and protecting minority investors; whilst the scores for registering property, getting credit, cross-border trading and contract enforcement are above average.

Figure 2.9: Doing Business 2020 Ranking



Source: World Bank

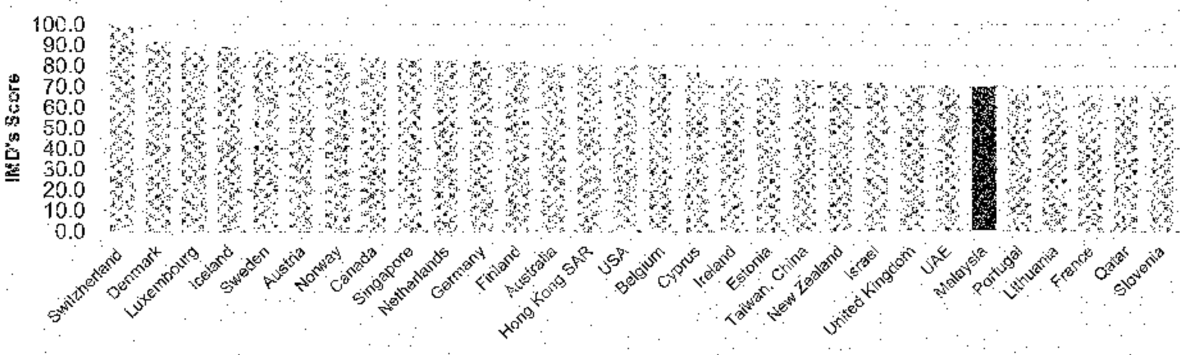
2.5.2. Government Policies

- Malaysia is generally a business-friendly destination, with attractive tax and incentives to promote investments. The country's corporate tax rates for resident companies is also favorable, ranging from 20.0-24.0%, supported by tax incentives such as Pioneer Status and Investment Tax Allowance.
- The Malaysia economy is mainly driven by the SMEs, which has accounted for 98.5% of all business establishments and contributed 38.3% (2018) to the national economy. Out of which, 89.2% of SMEs are in the services sector, 5.3% in manufacturing, 4.3% in construction, 1.1% in agriculture and 0.1% in mining and quarrying. SME can be defined as manufacturers with sales turnover not exceeding RM50 million per year, or full-time employees not exceeding 200 workers; and services and other sectors with sales turnover not exceeding RM20 million, or full-time employees not exceeding 75 workers.
- On a federal level, Budget 2020 is highly dedicated to supporting Malaysia's SMEs. New allocation and initiatives were designed to increase the contribution of SMEs to Malaysia's economy, driving the overall GDP contribution from SMEs from 38.0% to 50.0% by the year 2030. The initiatives include:
  - 2.0% annual interest subsidy for loans from a RM500 million fund via SME Bank;
  - Grant amounting to RM5,000 for each SME as an incentive to go digital and improve efficiency and productivity;
  - RM550 million to provide smart automation matching grants to 1,000 manufacturing and 1,000 services companies to automate their business processes and to adopt into digital transformation and technology advancement; and
  - RM10 million will also be allocated to Malaysia Digital Economy Corporation (MDEC) to provide training to micro-entrepreneurs and technologists to leverage on e-commerce and e-marketplaces.
- Further into year 2020, the Government introduced stimulus measures specifically to assist SMEs to weather through the storm via PRIHATIN PLUS for SMEs (refers to Section 2.4.1). On top of that, there are a few incentives addressed to facilitate growth of SMEs, including:
  - RM4.6 billion allocation to empower Bumiputera entrepreneurs for the purpose of financing, capacity building programmes.
  - RM150 million under the SME Digitalization Grant Scheme and the Automation grants in support of automation and modernization for the SMEs, with eligibility relaxed to micro-SMEs and start-ups that have been operating for at least 6 months.

2.5.3. Talent Pool

- With its young, multi-lingual and well-educated population base, Malaysia is well known for its quality of talent pool.
- According to the IMD (Institute for Management Development, Switzerland) Talent Ranking 2020, Malaysia is ranked 6th in Asia Pacific (25th globally) after Singapore, Australia, Hong Kong, Taiwan and New Zealand in terms of quality of talent pool. The high ranking is attributed to the recognition of country's effort in developing its homegrown skilled workforce.

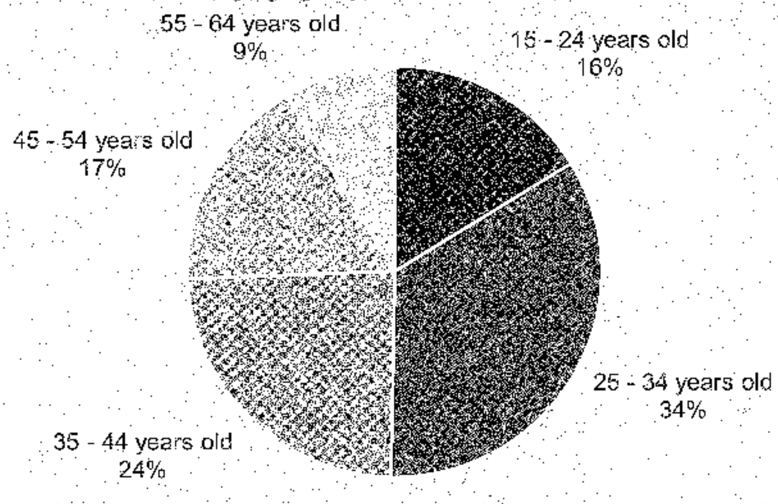
Figure 2.10: IMD Talent Ranking 2020



Source: IMD

- As a nation with expanding population base, Malaysia's population is young, with a median age of 30 years old, similar to that of Indonesia and Vietnam, but is significantly lower than that of 42 years old in Singapore and 43 years old in Hong Kong. This means that the supply of workforce in the coming decades is structurally sound, at an already high labour force participation rate of 68.4% (Q4/2020).

Figure 2.11: Distribution of labour force by age group, Q4/2020

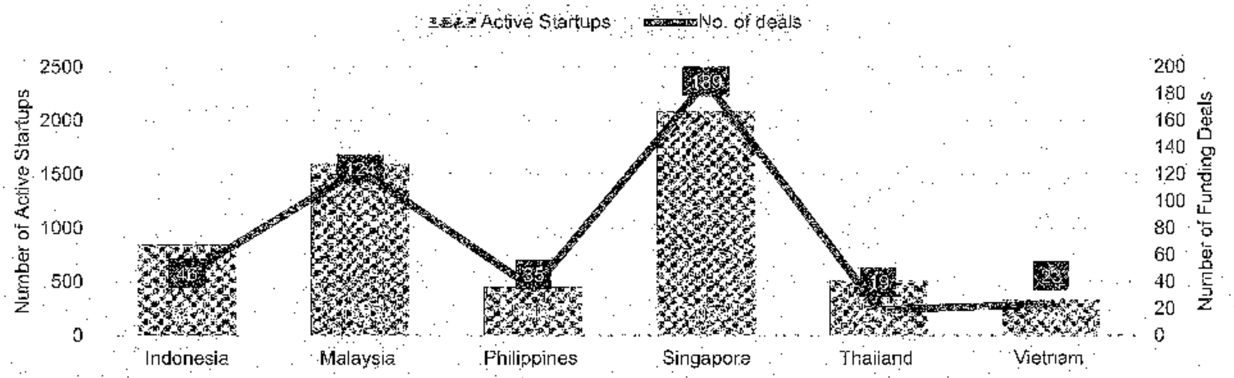


Source: Department of Statistics Malaysia

- The education level of the Malaysia workforce is high too. As of Q4/2020, out of over 15 million workforce in the country, tertiary educated workforce accounted for 33.5%, followed by secondary educated workforce of 54.0%. The balance workforce consisted of those with primary education or no formal education, which accounted 12.6% of the total workforce. Based on latest available data from World Bank, gross enrolment ratio for tertiary education in Malaysia is at approximately 43.0% in 2019, and is ranked after Singapore with 85.0%(as at 2018) and Thailand recorded 49%(as at 2016) in Southeast Asia.

2.5.4. The Startup Ecosystem

Figure 2.11: Number of Active Startups and Funding Deals in Southeast Asia

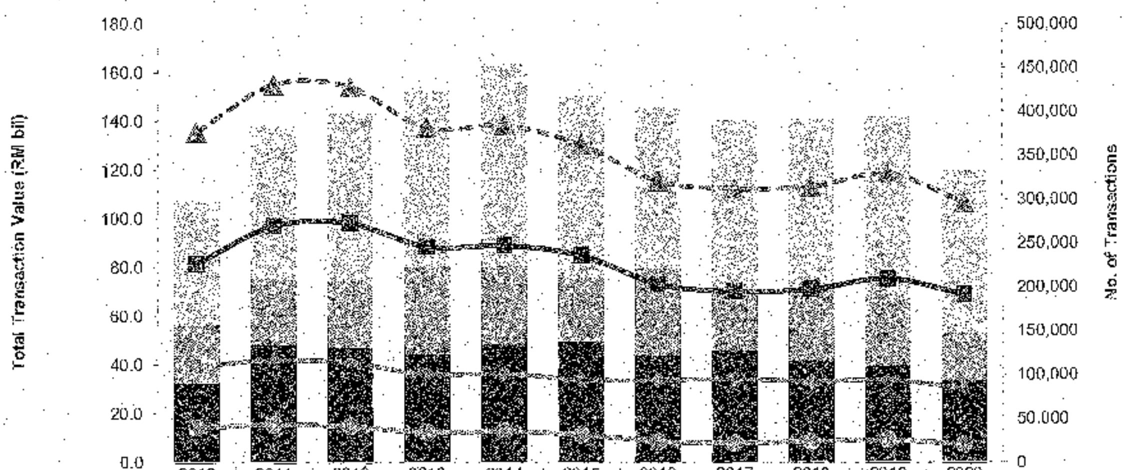


Source: e27 Ecosystem 2018 report

- Malaysia's ease of doing business is evidenced in its active startup scene. In the recent e27 Ecosystem Report 2018, Malaysia is ranked 2nd in Southeast Asia in terms of the number of active startups and number of funding deals made. The report stresses how the number of deals or the number of high-profile startups can perhaps be an indication of how a city or country has become a startup hub.
- The tech media platform applauds Malaysia as the perfect launchpad to the ASEAN market especially because of its business-friendly environment. Government departments and agencies such as MDEC and tech-related initiatives such as Malaysian Global Innovation and Creativity Centre (MaGIC) has helped foster the number of startups through the area of tax breaks, reduction in minimum investment requirements and enhancing talent through education.
- As per e27 data, there were 1,592 active startups in Malaysia in 2018, at an average funding deal size of US$11.2 million per startup in 2018. The top 5 industry verticals by number of fundraising deals are Fintech (6), E-commerce (4), Consumer (3) Enterprise Solution (3), Healthtech (2); and the top 5 industry verticals by average deal size are Media (US$133 million), Automotive (US$19 million), Fintech (US$6.8 million), Cybersecurity (US$4 million) and Consumer (US$2.5 million).

2.6. Performance of Real Estate Market

Figure 2.12: Malaysia Property Transaction Volume and Value, 2010 – 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Residential (RM bil)	50.7	61.8	67.7	72.1	82.1	73.5	65.6	68.5	68.7	72.4	65.9
Commercial (RM bil)	23.8	27.6	27.8	35.6	31.8	26.4	35.9	25.4	29.5	29.0	19.5
Others (RM bil)	32.9	48.4	47.3	44.7	49.1	50.0	43.9	45.9	42.1	40.0	33.7
Total (RM bil)	107.4	137.8	142.8	152.4	163.0	149.9	145.4	139.8	140.3	141.4	119.1
Residential (Volume)	226,874	269,789	272,669	246,225	247,251	235,967	203,064	194,684	197,365	209,295	191,354
Commercial (Volume)	39,798	43,674	41,082	34,298	35,528	31,776	23,745	22,162	23,936	25,654	20,255
Others (Volume)	109,911	116,940	113,769	100,607	101,281	94,362	93,616	94,978	92,389	93,698	84,359
Total (Volume)	376,583	430,403	427,520	381,130	384,060	362,105	320,425	311,824	313,710	328,647	295,968

Note: Others include industrial, agriculture and development land
Source: Valuation and Property Services Department, Ministry of Finance Malaysia ("JPPH")

- A total of 295,968 property transactions were recorded for a total value of RM119.1 billion in 2020, representing a decline of 9.9% and 15.8% in transaction volume and transaction value respectively compared to 2019, which recorded 328,647 transactions worth RM141.4 billion.
- The overall property market in Malaysia recorded subdued transaction activities across all sectors. The residential sector continued to dominate market activity in 2020, accounting for 64.7% of the transactions (191,354 transactions) and 55.3% in value (RM65.9 billion), with residential volume and value decreased slightly by 8.6% and 9.0% respectively compared to the previous year. Commercial property transaction volume declined by 21.0% to 20,255 transactions while transaction value consolidated by 32.6% to RM19.5 billion.
- According to NAPIC, the Malaysian property market is forecasted to remain cautious and soft in 2021. Moving forward, the property market is expected to be driven by lower borrowing costs, new infrastructure opening up in strategic locations as well as various incentives initiated by the government to encourage home ownership. In June 2020, the government has announced Short Term Economic Recovery Plan (PENJANA), including reintroduction of Home Ownership Campaign (HOC) until 31 May 2021; real property gains tax (RPGT) exemption for up to 3 residential homes disposal until 31 Dec 2021; and the lifting of 70% Loan to Value (LTV) ratio for third housing loan above RM600,000 in value. In July 2020, BNM revised downward the overnight policy rate to a record low of 1.75% and continued to maintain in the recent January 2021 announcement.

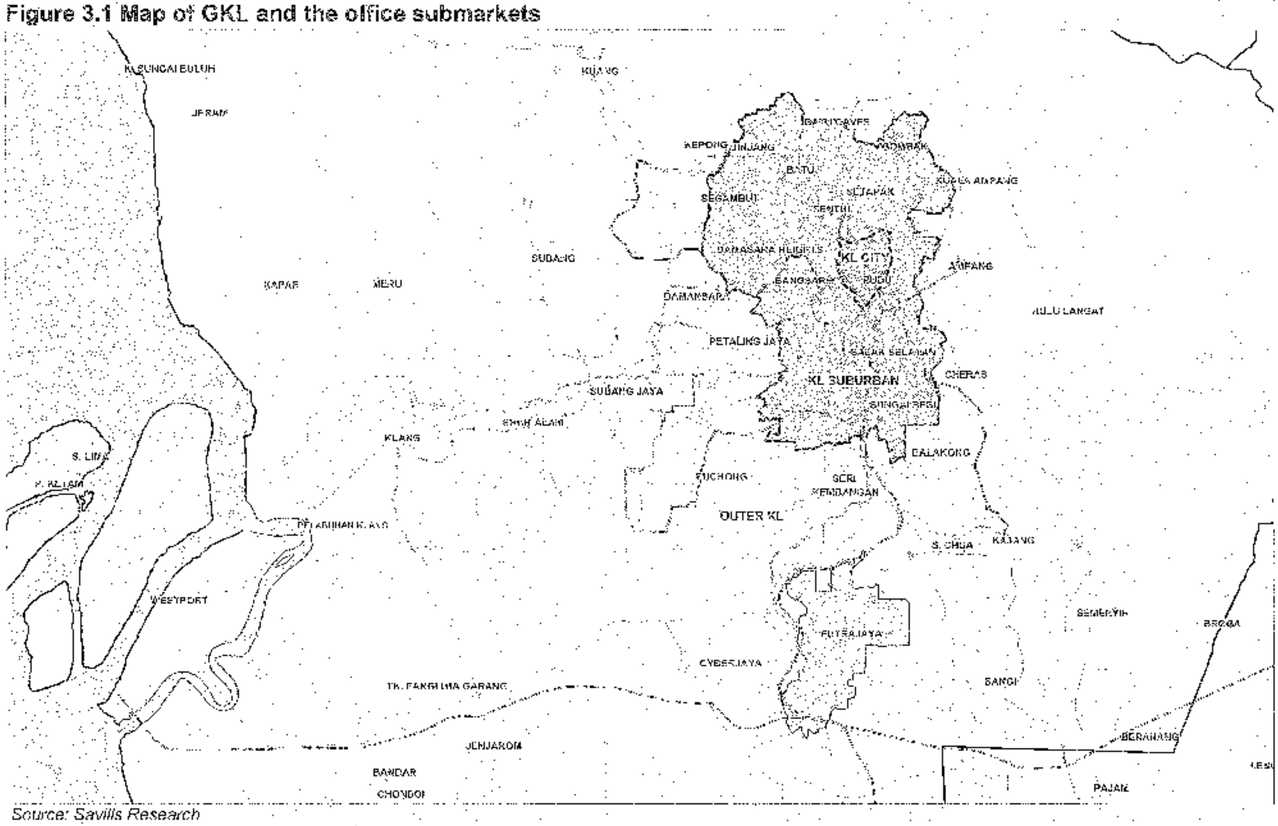
3. Office Market Overview and Outlook

3.1. Greater Kuala Lumpur Market Overview

3.1.1. Definition

- By our definition, the GKL office submarket is defined by three (3) key regions as demarcated in the map below.
  - **Kuala Lumpur City ("KL City")** - encompasses Golden Triangle (GT) and Central Business District (CBD)
  - **Kuala Lumpur Suburban ("KL Suburban")** – defined by the fringe areas of Federal Territory of Kuala Lumpur outside KL City. This includes Damansara Heights, Bangsar, KL Sentral / Brickfields, Mid Valley City / KL Eco City, Pantai / Kerinchi, Mont Kiara, KL North, etc.
  - **Outer KL** - defined by the combination of the 10 municipalities in Selangor and Federal Territory of Putrajaya.

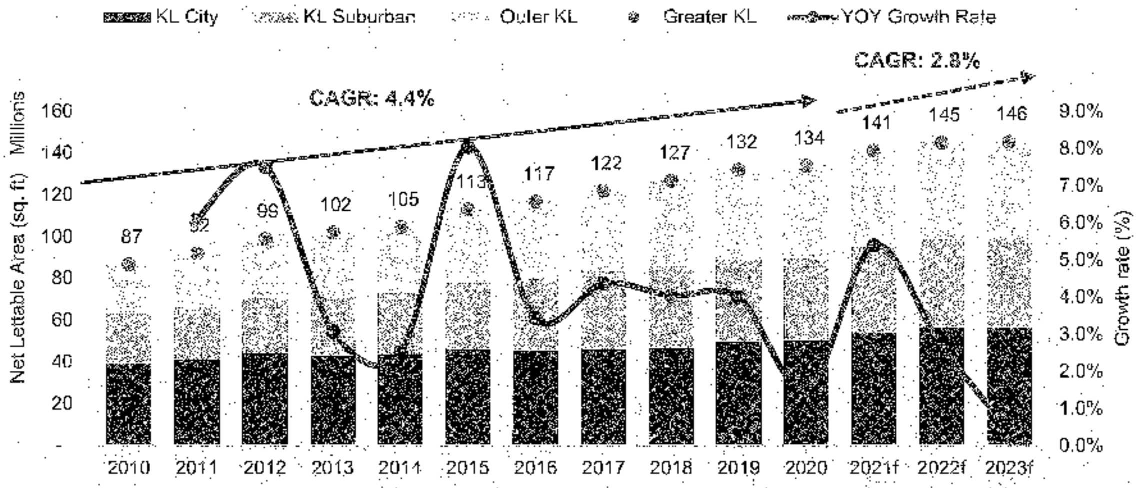
Figure 3.1 Map of GKL and the office submarkets



Source: Savills Research

3.2. Cumulative Supply

Figure 3.2 Cumulative Supply of Office Space in GKL



Source: Savills Research

- Cumulative supply of office space in GKL stood by 134.1 million sf of Net Lettable Area ("NLA") as at 2020 (2019:132.2million sf). The supply expansion of 1.5% (YoY growth) is led by the completion of eight (8) office buildings as at 2020 and ten (10) office buildings in 2019, amounting 7.1 million sf of NLA. In terms supply distribution, 50.1 mil sf (37.0% of the total supply) are located in the KL City, followed by 44.6 mil sf (33.0% of the total supply) in the Outer KL and 39.4 mil sf (30.0% of the total supply) are in the KL Suburban.

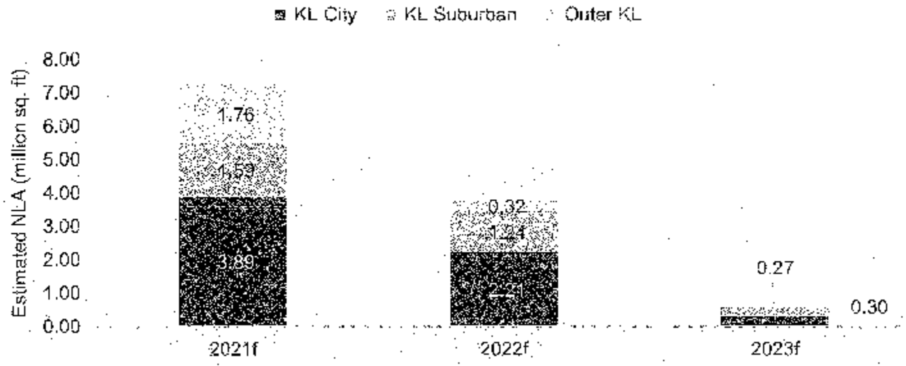
3.2.1. New Completion

- Of the 7.1 million sf new office space completed in 2019 and 2020, 3.8 million sf (53.3%) were in KL City, including the notable completion of The Exchange 106 (NLA: 2,400,000 sf) within the Tun Razak Exchange (TRX) - the single largest office tower since PETRONAS Twin Towers in 1998. Other newly completed office buildings in KL City include Menara Prudential, Menara YTL, Menara Hap Seng 3 and Menara TCM.
- 3.1 million sf (44.2%) of new office space were added into the Outer KL submarket. Bulk of new office supply were situated in Petaling Jaya, which includes 1 Powerhouse Bandar Utama, Symphony Square, KYM Tower, Tropicana Gardens Office Tower, Menara Star 2, Menara MBSB and Menara MyIPO. The years also witnessed the completions of three offices in Cyberjaya, namely Kenwingston Business Centre, Tower 5 of Skypark Cyberjaya and Menara AIMS Cyberjaya.
- EkoCheras office suite (NLA: 180,000 sf) was the only completion of office development in KL Suburban.
- Since, office supply has grown at CAGR of 4.4% for 2010 to 2020, with Outer KL region being the largest contributor with a CAGR of nearly 6.4%, ahead of 5.3% in KL suburban and 2.5% in KL City. This decentralization trend of office location has reduced the KL City share from 45.0% of total supply in 2010, to 37.0% in 2020. However, we expect construction activity to pick up in the KL City submarket over the next three (3) years, as majority of the incoming supply are located here.

3.2.2. Future Supply in GKL

- Based on identified future supply, it is estimated that there is a total of twenty-nine (29) office developments scheduled for completion by 2023, totaling circa 11.6 million sf. Barring any delay in completion, this is equivalent to 2.8% CAGR of supply growth, and is lower than the 2010- 2020 average growth of 4.4%.
- KL City is expected to be largest source of new supply with 6.4 million sf (55.0% of total future supply) scheduled for completion by 2023, equivalent to a CAGR of 4.1%. Notable new projects are from Tun Razak Exchange (1.44 million sf total), as well as the 1.65 million sf Menara Warisan Merdeka 118.
- In the KL Suburban areas, 3.1 million sf of new supply (27.0% of total future supply) is expected to be added into the market by 2023, equivalent to a CAGR of 2.6%. Most of this new supply is located in Pavilion Damansara Heights. In KL Eco City, Aspire Tower, a strata office tower measuring circa 670,000 sf net lettable area slated for completion by early 2022.
- The remaining 2.1 million sf (18.0% of total future supply) is at Outer KL, with a specific focus in the Petaling Jaya area.

Figure 3.4 Future supply in GKL



Source: Savills Research

Figure 3.5: Breakdown of Selected Future Office Supply (>400,000 sf) Under Construction in GKL (2021-2023)

Area	Est. Year of Completion	Development Name	Zone	Estimated NLA (sf)
KL City *(Est. 6.4 mil. sf)*	2021e	Permata Sapura (Lot 91 KLCC)	Golden Triangle	671,000
		Affin Bank HQ @ TRX	Golden Triangle	620,000
		Lot 301 Jalan Conlay (PHB) Office Tower 1	Golden Triangle	605,000
		HSBC HQ @ TRX	Golden Triangle	491,000
	2022e	Menara Warisan Merdeka 118	Central Business District	1,650,000
KL Suburban *(Est. 3.1 mil. sf)*	2021e	Pavilion Damansara Heights (Parcel 1)	Damansara Heights	1,200,000
	2022e	Precinct MET 8: North Tower & South Tower	KL Metropolis	414,000
		Aspire Tower @ KL Eco City	KL Eco City	670,000
Outer KL *(Est. 2.1 mil. sf)*	2021e	HCK Tower @ Empire City	Petaling Jaya	562,000
		Imazium @ Damansara Uptown	Petaling Jaya	450,000
		EPF HQ @ Kwasa Damansara	Petaling Jaya	480,000
	2022e	Paramount Office Tower @ Section 13	Petaling Jaya	324,000

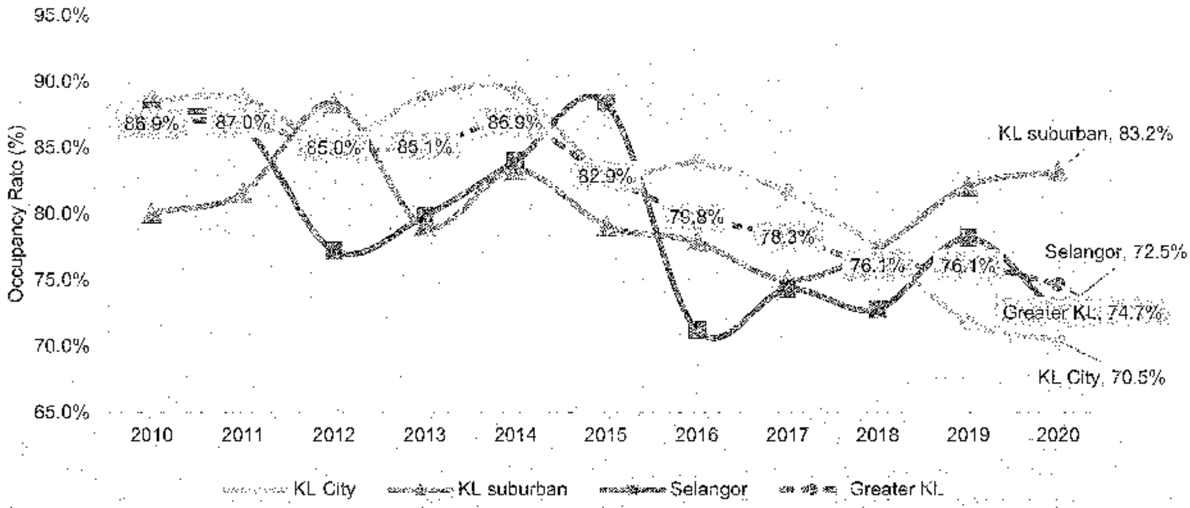
Source: Savills Research

3.3. Demand

- The demand of office space is an indicator of the health of the services economy, as it is oftentimes correlated to the economic situation and expansion of businesses. This is evident by the office space consolidation seen in the Oil & Gas sector back in 2015-2016 after the oil price crashed in 2014, as well as the recent space expansion of e-commerce businesses.
- In the site selection process, office occupiers will generally consider the locational and quality aspects of the office building before a decision is made. The factors affecting the selection decision are:
  - **Location** – The de facto principle in any real estate site selection. Businesses prefer to be in locations where they can be seen, as well as located close to their sector ecosystem.
  - **Accessibility** – Connection to major roads and public transportation system has been a major consideration factor, especially to MNCs for talent recruitment reason.
  - **MSC Status** – The Multimedia Super Corridor (MSC) status of a building is increasingly important, as the incentives such as Pioneer Status, Investment Tax Allowance and unrestricted employment of expatriates are crucial to MNCs.
  - **Building Specification** – Naturally the building specification such as floorplate size, telecommunication infrastructure, raised floor, ceiling height, layout as well as green building accreditation are major consideration related to efficient space usage.

3.3.1. Average Occupancy Rates and Absorption

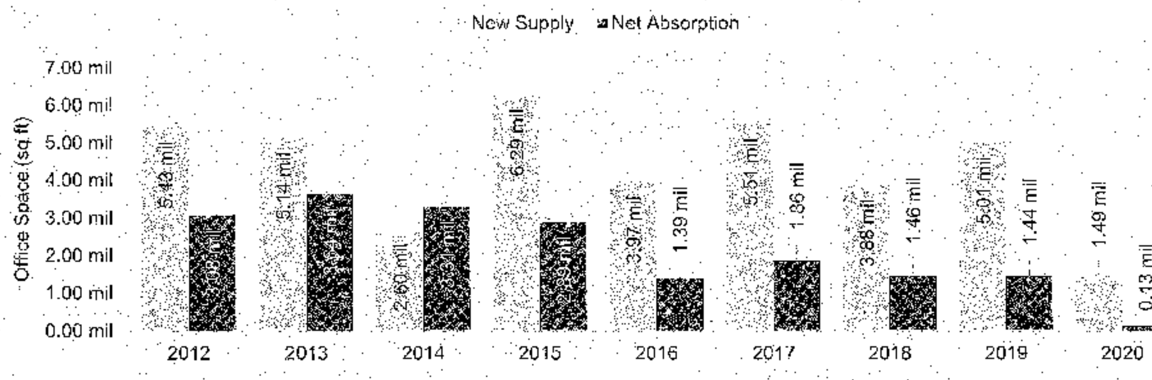
Figure 3.6: Weighted Average Occupancy Rates in GKL, (2010-2020)



Source: Savills Research

- Average occupancy rate in the GKL has been on a falling trend since 2014, to 74.7% in 2020. This falling occupancy is attributable to lower-than-average office demand and high supply growth.
- The office market began to show weakness in 2015-2016, as crude oil price dropped from over $100 per barrel in mid-2014 to about $30 per barrel in early 2016. The GKL office market, specifically KL City region, has traditionally relied heavily on the oil and gas (O&G) sector, and the sharp drop in crude oil price has caused a number of O&G major players to downsize their operations to reposition and strategized their business. This has affected higher-grade office buildings in KL City, which are traditionally the preferred address for O&G companies and financial institutions.
- Nevertheless, flight-to-quality is still a dominant trend in the current office market and has driven bulk of the demand to new and well-equipped office buildings in the market. In response to this, aged office buildings have acknowledged the needs of refurbishing or upgrading in order to stay competitive and relevant.

Figure 3.7: Office Absorption in GKL (2012-2020)

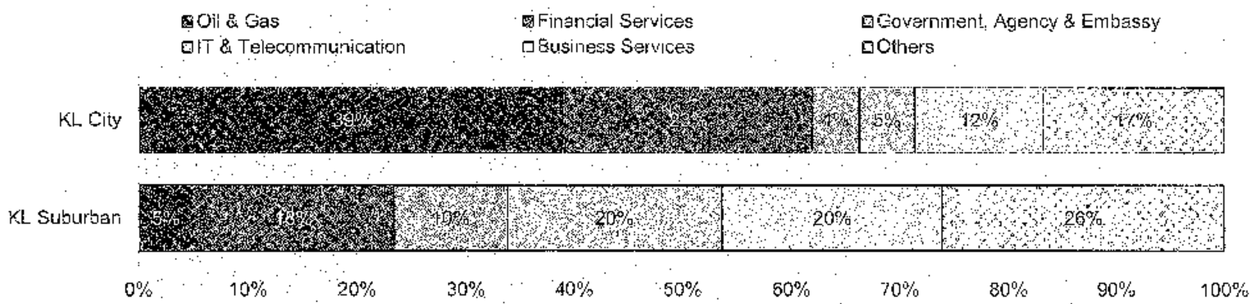


Note: New Supply refers to new completions, which exclude owner occupied buildings.
Net absorption refers to the net office space being taken up, by taking account into the space vacant during the review period.
Source: Savills Research

- Notably, the weakness in demand is led by the KL City region, whilst the KL Suburban region has bottomed out from a low average occupancy of 74.0% in 2017, to 83.2% in 2020. This is driven by the relocation and expansion of multinational companies such as financial institutions to the area, as well as the emergence of flexible space operators.

3.3.2. Occupier Profile for Selected Buildings

Figure 3.8: Office Occupier Profile by Office Region

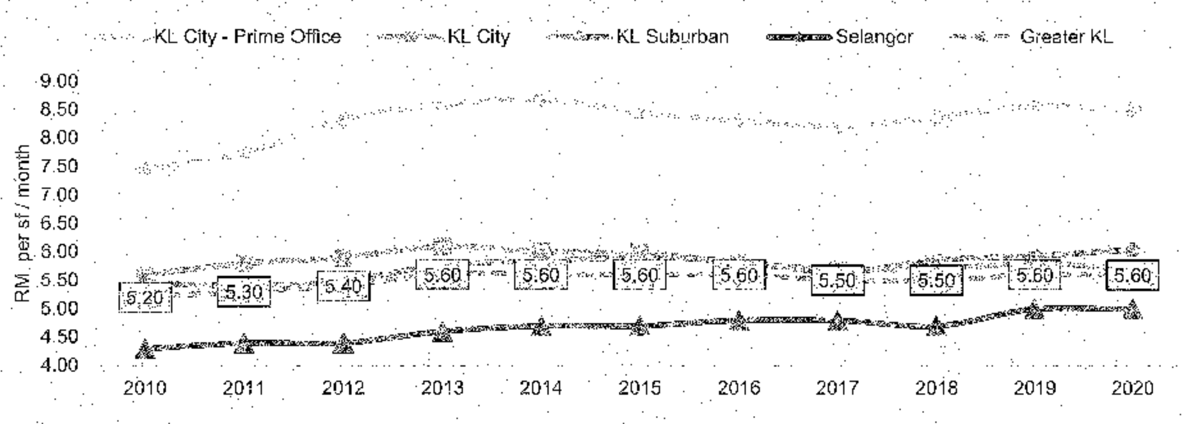


Note: Building samples for KL Suburban region is limited to KL Sentral, Mid Valley City and KL Eco City.
Source: Savills Research, Q4 2020

- The KL City and KL Suburban regions are of two distinctive occupier profile, whereby the former is the dominated by the oil and gas and financial services sector, while the latter is occupied by a wide variety of sectors.
- The prime offices in KL City region is highly reliant on the oil and gas sector, which formed a strong cluster in the KLCC area with Petronas's presence. Petronas and its subsidiary and associates are the largest takers of office space in Petronas Twin Towers, Menara 3 Petronas and Menara Exxon-Mobil. The prime address is also naturally preferred by the financial services sector, where most bank and insurance company headquarters are located.
- The KL Suburban region is more diversified with office occupiers from all sector. Notably, the business services sector is the largest source of occupiers, and includes accounting firms, legal firms, consultancy firms, human resource firms, etc. Financial services in this region is concentrated in KL Sentral, as is the government agencies.

3.3.3. Rental Rates

Figure 3.9 Average Gross Asking Rents in GKL, (2010- 2020)

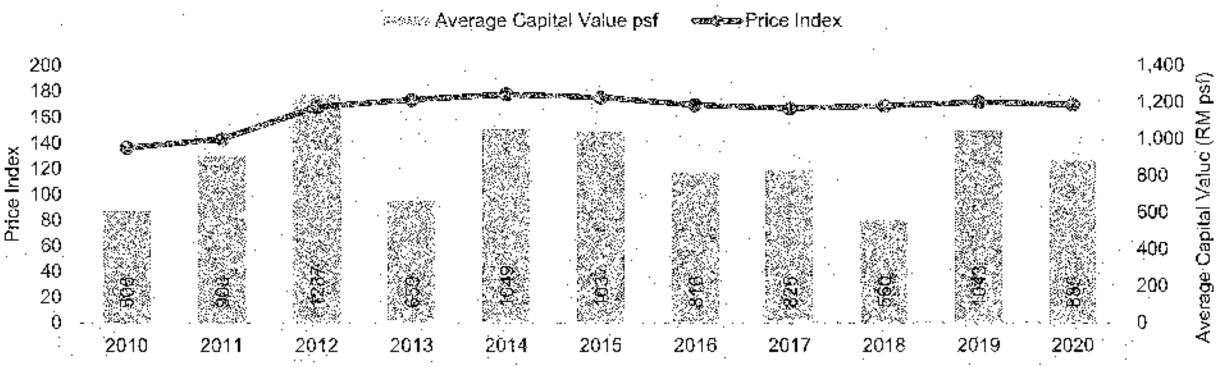


Source: Savills Research

- In 2020, average office rent in GKL has remained stagnant at RM5.60 psf, as compared to RM5.20 psf in 2010. This is owing to the falling occupancy rates and the availability of various options in the market for tenants.
- By segment, the rental rates for prime offices in KL City have increased at the highest rate of CAGR 1.5% per annum since 2010. On overall, CAGR of 1.3% recorded in Outer KL (Selangor), followed by 0.9% in KL Suburban areas and 0.3% in the KL City.
- Demands for high grade office buildings in KL City has managed to allow the asking rental to remain high. Factors such as superior building provisions and specifications, efficiency in terms of building design and energy use, professional accreditation (Green Building Index and MSC status), top grade facilities within the building and superb connectivity are the driving factors. Examples of this category are Grade A buildings completed since 2018, such as Equatorial Plaza, The Exchange 106, Menara Prudential @ TRX and Southpoint @ Mid Valley City. In contrary, the older offices in KL City and KL Suburban recorded lower rental rates of RM4.50 psf to RM5.50 psf in 2018 and 2019 due to its deteriorating quality.

3.4. Capital Values

Figure 3.10 Price Index of Prime Office Buildings in Kuala Lumpur, (2010 - 2020)



Note:
Price Index is derived based on yield and average rental rate
Average Capital Value (RM psf) is derived based on transactions of office buildings for the year in review.
Source: Savills Research

- The price index of prime office buildings in Kuala Lumpur has grown at CAGR of 2.6% since 2010, to register at 126 (2010=100) by the end of 2020.
- Average capital value was registered at RM560 psf in 2018, as most of the transactions are for second grade buildings. Only few buildings have commanded value of RM1,000 psf, including Wisma Selangor Dredging (RM1,323 psf, 2017) that was bought for its intrinsic land value instead of office asset, Integra Tower (RM 1,400 psf, 2015) by KWAP and the latest transacted Menara Guoco (RM1,043 psf, 2020) by Tower Real Estate Investment Trust as an income-generating asset.
- Over the last decade, the initial net yield rates derived from market transactions of prime purpose built office buildings have been compressed from almost 7.0% to around 6.0% currently. This is in line with the trend of global yield compression as a result of quantitative easing and low interest rate environment.

Figure 3.11: Selected Transactions of Purpose-Built Office Buildings in GKL

Year	Buildings	Zone	Est. Building Age	NLA (sf)	Consideration			Buyer
					RM mil	RM psf	Yield %	
2020	Menara MIDF	KL City	42*	160,000	140	875	N/A	JD Hospitality Sdn Bhd
	UOA Corporate Tower	KL Suburban	4	732,871	700	955	N/A	UOA REIT
	The Sunway Pinnacle	Outer KL	6	577,000	450	780	6.2	Sunway REIT
	Menara Guoco	KL Suburban	2	232,000	242	1,043	5.5	Tower REIT
2019	Wisma KFC	KL City	2	175,292	130	742	N/A	Royal Group
	Wisma MPL	KL City	12	358,783	189	527	N/A	Asia New Venture Capital Holdings Sdn Bhd
2018	Wisma UOA Pantai	KL Suburban	11	157,000	120	764	N/A	CIMB Group
	Wisma Mont Kiara	KL Suburban	8	181,922	122	671	N/A	Al Rajhi Bank
2017	Vista Tower	KL City	23*	551,875	430	779	6.5	AmanahRaya REIT
	Wisma Selangor Dredging	KL City	30*	362,782	480	1,323	5.3	Golden Eagle Realty Sdn Bhd
	The Ascent, Paradigm	Outer KL	2	516,633	321	621	6.0	EPF
	Menara Prudential	KL City	17	164,706	125	758	7.9	KL 33 Properties Sdn Bhd

Note:
** Menara MIDF undergone refurbishment in year 2008.*
** Vista Tower undergone extensive refurbishment in year 2011.*
** Wisma Selangor Dredging was acquired for its intrinsic land value.*
Source: Savills Research

3.5. Global Trends in the Office Market

3.5.1. Demographic Trends

- The generational shift in global demographic is underpinning the changing workstyle that we witnessed over the past years. As the baby boomer generation enters retirement age in the next decade, Generation Y (millennials) and Generation Z will constitute the largest percentage of workforce. This shift will bring upon a changing workstyle pattern, and eventually changing the way office space is utilised and designed.
- Generation Y and Generation Z are generations with strong connection with the digital world, and are the generation of workers that grew up with digital tools that enables a different work pattern. This has accelerated the rise of workplace technology that will shape the future workplace.
- With flexible working gradually being expected to be a norm for the upcoming days, the need towards office space will change as traditional workspace with cubicle-style fit-out are becoming obsolete.

3.5.2. Agile Working

- Over the past decade, technology has enabled us to work from almost any location. In the early days some predicted a mass exodus from the office to homeworking, but the reality is that people have embraced the choice rather than making a permanent move away from the office.
- Being able to work when and where we like has enabled people to take control of their own environment and productivity. Businesses have recognised that everyone works in different ways, as evidenced by the growth in the adoption of activity-based working in new office fit out concepts.
- The offices of the future end up becoming places of greater socio-professional interaction that enable the exchange of knowledge and experiences. They represent an evolution, in the sense of creating positive work relations and stimulating the employees, having as final goal the offer of conditions that directly influence the performance and the commitment in a certain job or task.
- An effective change to a new space or its renewal should be based on five pillars: Flexibility, spaces with added value that allow not only an activity, but also access to the work tools necessary for its tasks, even outside the space of work; Interaction, more transparent spaces allowing communication and cooperation between employees; Sustainability, carefully analysing space efficiency and based on the highest international standards; Health and Welfare and Quality of Life, stimulating the practice of exercise, avoiding stress, reducing absenteeism, among others.
- With the expansion of flexible workplace/ co-working space, there will inevitably be more workplace technology in this sector. Generations Y and Z grew up with technology and other innovative platforms such as video conferencing technology. As a result of the ever-evolving technology, it is fair to say that the company will be investing in more devices and new technologies as millennials take over the workforce.
- Nevertheless, the coronavirus outbreak will inherently transform the flexible workplace. In the past, the feasibility of flexible workplace is dependent on the efficient space usage per headcount, but the new-normal respecting social distancing may reverse this design philosophy. From demand side, companies are still experimenting new work practices such as permanent remote work policy and office de-densification, and some companies may also abandon the capital-intensive office model to flexible workplaces for financial reasons. Regardless, the world is currently exploring the best practice for future workplace, and the next generation flexible workplace will emerge as results are unfolded.

3.5.3. Technology and Design in Office Space

- Changes in the workplace have come fast in conjunction with digital innovation over the past few years, driven by new technologies advancing digital mobility and giving rise to worker demands for a flexible work environment. Office landlords have responded by infusing digital into every aspect of society, in hopes to create a more open, collaborative office environment with a variety of workspaces and amenities to attract and retain talent.
- Technologies could not in any way stay out of this equation. Digital transformation is dictating much of the change in office space, as it provides new concepts and gives us complete freedom to innovate. For example, today we can work anywhere in the office due to the use of laptops and Wi-Fi networks, transforming a lounge area an informal meeting area maintaining the speed efficiency of the computer, thus allowing a more fluid and effective internal communication and flexibility.
- Workplace equipped with technology will improve building performance and profit margins through cost savings and operational efficiency. In return, office owners can lower operating costs and other related maintenance costs. Internet-of-Things technology can also help to provide key insights on employee interactions and movements to help design more comfortable workspaces. Predictive analysis will play a disruptive role in the office market as it will help landlord to make better-informed decisions using accurate data.

3.5.4. De-densification of Office Space

- The coronavirus outbreak is accelerating the agile working culture, where work-from-home arrangement is likely to be the key trend underpinning the office market for times to come.
- The longer term opportunity for occupiers could be more structural as firms may look to review office work practices. Occupiers are testing in real-time their capabilities to work remotely, which could be adopted more widely after the pandemic ends. Whilst this permanent remote work practice is being experimented and eventual result is to be seen, technology companies such as Shopify, Twitter and Facebook are already planning for permanent remote-work policy.
- Despite the office de-densification is a major impact to overall office space requirement, social distancing is a mitigating factor. The recent workplace design emphasises on more communal and open space at the expense of a compact desk arrangement such as hot-desking, which defies social distancing. As companies look to redesign the current and future workplace while adhering to social distancing measures, we foresee the space requirement per headcount to increase as much as 100%, and effectively negating the impact of office downsizing. This means that if a company is looking to implement a permanent two-team rotation and redesign the workplace to adhere to social distancing measures, the office space needed will remain the same as before.
- This is evident from the recent survey conducted amongst corporations in United Kingdom in May 2020 by Savills Office FiT. This survey was conducted in the European region covering 65,000 Savills' clients from various industries, with similar trends observed across companies in Malaysia. The survey revealed that the propensity of remote-work arrangement could potentially led to a 10% reduction of office space. However, the impact will be negated by office design that respect social-distancing and allow for more space per employee.
- Data from the survey also shows that 89% of the respondents still believe physical space is a necessity for successful business management and operation, despite growing interest in remote-work arrangement. Office is also deemed important for both employer and employee. Corporate employers would favour a proper office environment to install and maintaining corporate culture, while for majority of employees the office is perceived as an important environment for personal growth and effective colleague collaboration and interaction.
- A similar result was observed in a survey conducted in the United States of America with a sample size of 3,000 office space decision makers, commissioned by the Building Owners and Managers Association International between September to October 2020. It was reported that 74% of the respondents believed that the office remained a vital component to their businesses, long-term growth and future success.
- In January 2021, PricewaterhouseCoopers published the United States of America Remote Work Survey, which was conducted amongst 133 executives and 1,200 office workers between November and December 2020. Key takeaways from the report included that the office is here to stay, given that 87% of the employees opined that the office remained important to foster relations and collaboration, while only 13% executives were prepared to let go of the office. Moving forward, hybrid workplaces appear set to become the norm, with 55% of employees preferring to be remote at least three days a week post-pandemic. This will lead towards the transformation of real estate strategy for most companies. Nonetheless, 69% of the surveyed executives anticipated that the company office footprint will remain the same or increase in the next three years, attributable to the planned expansion or the requirement to de-densify office space in lieu of fear of the virus.

3.6. Market Outlook

- Prior to the global outbreak of COVID-19, the Greater KL office market was already weakening with supply outstripping demand, resulting in the decline of average occupancy rate to 74.7% (2020) from the recent high of 87% (2014). Average rental rate has remained rather flat the last decade, in a clear tenant's market. This situation is expected to persist for the next few years, as incoming supply is expected to remain higher than historical absorption.
- The pandemic has prompted an unprecedented global lockdown, and the implementation of MCO in Malaysia between 18 March 2020 and 4th May 2020 has affected businesses, especially the retail and hospitality sectors. The government has introduced various initiatives to help businesses stay afloat, in order to reduce unemployment and the impact of the pandemic. Nonetheless, whilst there are casualties to this unprecedented crisis, companies embracing digitization are enjoying a surge in demand as customers and consumers embrace the new-normal.
- The Government re-implemented MCO 2.0 for several states in Malaysia including Greater KL from 13 January to 26 January 2021 and announced a no-curfew state of emergency in light of the COVID-19 pandemic situation. The MCO was thereafter twice extended, each for a period of two (2) weeks until 18th February 2021. On 16th February 2021, the MCO was further extended in Greater KL, Penang and Johor to 4th March 2021 and relaxed to a CMCO for the other states in the country, with the exception of Perlis, which will be under RMCO, from 19th February 2021 onwards. The implementation of MCO 2.0 in January 2021 for most states allowed more economic sectors to continue their businesses guided by stricter standard operating procedure and safety requirements, thereby anticipating a less severe economic impact compared to MCO implemented back in March 2020.
- As plans for economic recovery are rolled out in the next 6 to 12 months, the certainty for the office market is that companies will be more sensitive towards business costs, and will be reassessing their business plan such as expansion and relocation. While the key office occupier sectors are not as badly hit as the retail and hospitality sectors, there are bound to be

casualties in the supply chain. This means that the office market is likely to remain soft in the short term amidst weakening demand.

- In the long term, the pandemic is perhaps the tipping point that the office market needed for transformation. Agile working has been proven to work, while employees were stuck working from home. Companies will review their long-term space requirement by embracing digital innovation, allowing more employees to work remotely. On the flip side, office density is expected to reduce as social distancing measure becomes the new-normal. While both effects are likely to negate each other, the fundamental change to office space demand will continue to unfold as the industry finds the best practice.

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4. Review on IGB Commercial REIT Portfolio

4.1. Introduction

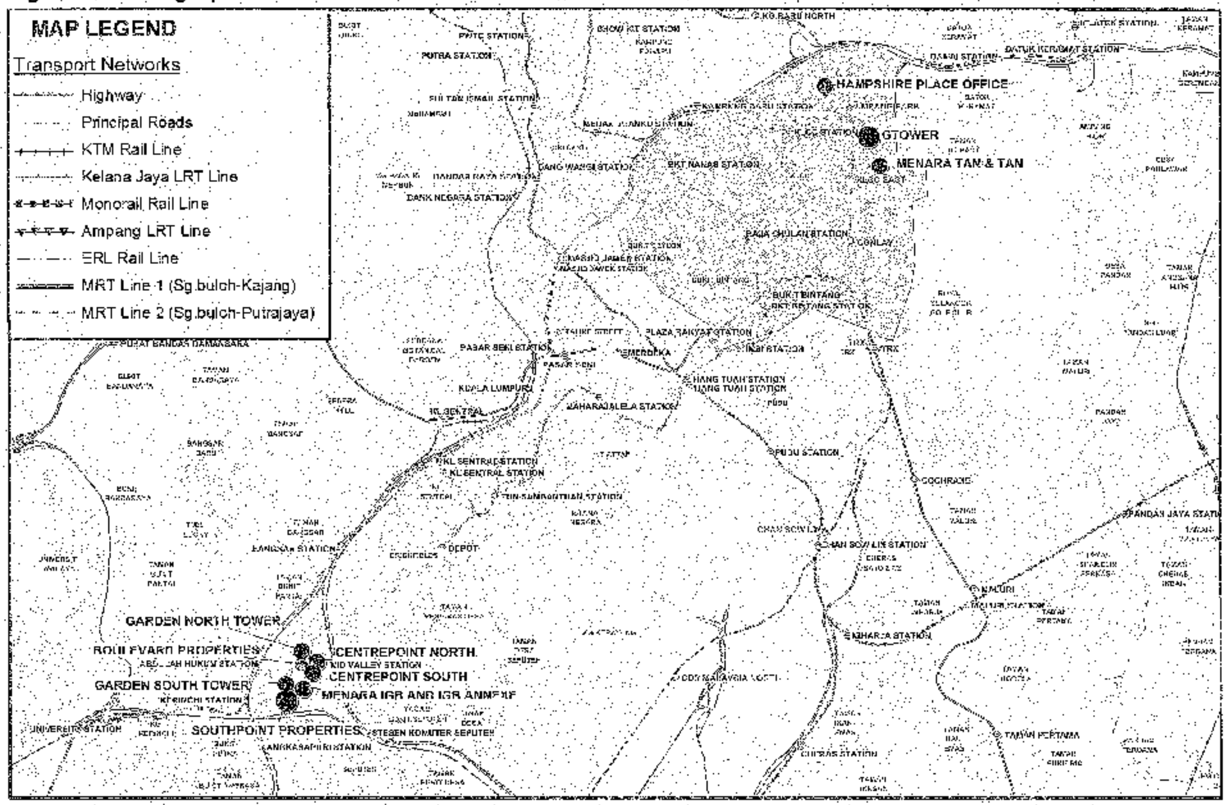
- The proposed IGB Commercial REIT portfolio consists of 10 subject properties, totaling approximately 3.52 million sf in net lettable area. These assets are located in the submarkets of KL Suburban and Golden Triangle, as shown in the map below.

Figure 4.1: Portfolio Assets Location

KL Suburban		Golden Triangle	
Assets in Mid Valley City	**NLA**	**Assets in Golden Triangle**	**NLA**
▪ Menara IGB and IGB Annexe	261,993 sf	▪ Menara Tan & Tan	339,385 sf
▪ Boulevard Properties	53,715 sf	▪ GTower	746,194 sf*
▪ Centrepoint North	232,051 sf	▪ Hampshire Place Office	239,253 sf
▪ Centrepoint South	232,237 sf		
▪ Gardens North Tower	425,612 sf		
▪ Gardens South Tower	422,381 sf		
▪ Southpoint Properties	515,501 sf		

*Note: *NLA of GTower is upon completion of the conversion of hotel floors to office usage.*
Source: IGB Berhad

Figure 4.2: Geographical Distribution of the REIT Portfolio



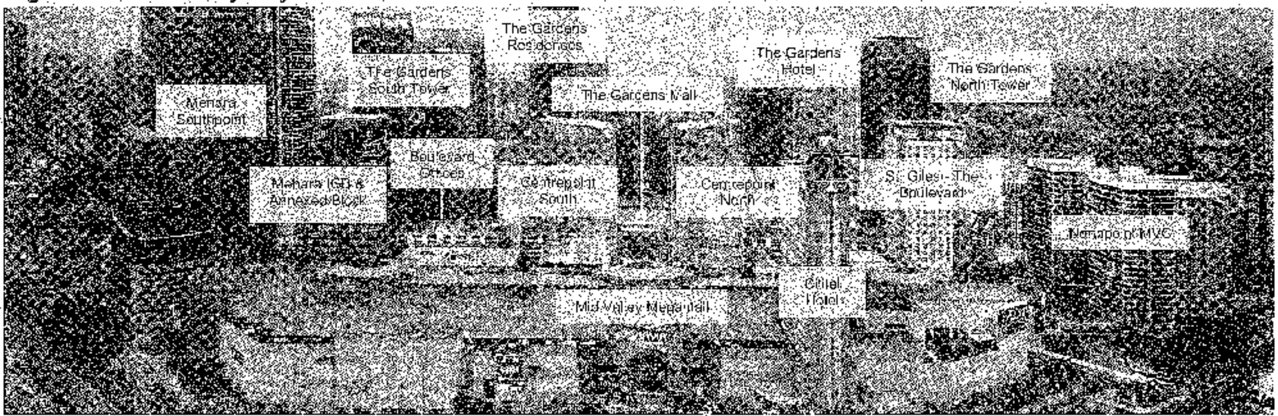
Source: Savills Research

4.2. Assets in Mid Valley City ("MVC")

4.2.1. Mid Valley City Master Plan Overview

- Mid Valley City is one of the largest integrated mixed-use developments in the country since its inception back in the 1990s. Mid Valley Megamall was the first component completed in 1999, and MVC is now almost fully developed with the office component of Menara Southpoint being completed in 2018 and other components in the pipeline.
- The entire development sits on a 50-acre land, consisting of two (2) megamall totaling over 2.6 million sf in NLA, eight commercial office space of nearly 2.5 million sf in NLA, three (3) hotels of 1,484 rooms and 199 serviced apartments, as well as 228 high-rise residential units. All of the components are connected to the malls, which are located in the heart of the development.

Figure 4.3: Mid Valley City



Source : IGB Berhad

Figure 4.4 : Mid Valley City Master Plan Component

No.	Developments	Type	Completion	Est. NLA / Unit
1	Mid Valley Megamall	Retail	1999	1,800,000 sf
2	Cititel Hotel[1]	Hotel	1999	646 rooms
3	Menara IGB & IGB Annexe [1]	Office	2000	261,993 sf
4	Boulevard Offices	Office	2001	500,000 sf
5	The Boulevard - A St Giles Hotel[1]	Hospitality	2005	390 rooms
6	Northpoint MVC	Office & Residential	2006	204 office & 228 residential units
7	The Gardens Mall	Retail	2007	843,820 sf
8	The Gardens Hotel[2]	Hospitality	2008	448 rooms
9	The Garden Serviced Residences[2]	Hospitality	2008	199 rooms
10	Centrepoint North and Centrepoint South	Office	2009	232,051 sf 232,237 sf
11	Gardens North Tower and Gardens South Tower[2]	Office	2011	425,612 sf 422,381 sf
12	Menara Southpoint Tower	Office & Residential	2018	515,501 sf 146 Serviced Apartment units

Note:
1 - Erected on top of Mid Valley Megamall
2 - Erected on top of The Gardens Mall
Source: Savills Research

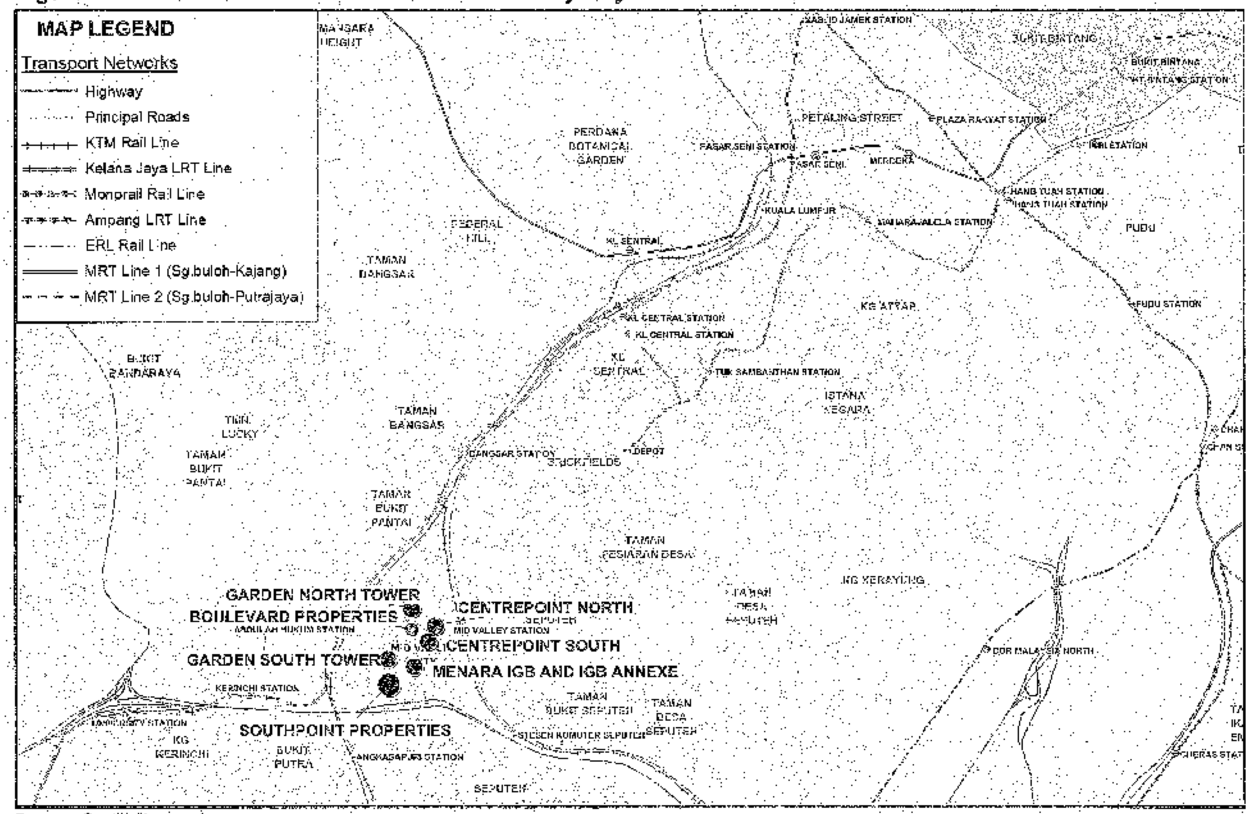
- Mid Valley City received its accredited MSC Malaysia Cybercentre status in 2008, and has since been its unique competitiveness in attracting multinational companies to set up operation outside the KL City area.
- MVC has successfully achieved admirable growth in terms of its real estate value, as well as establishing itself as one of the most sought after residential and commercial addresses in the suburban region of Kuala Lumpur. This is attributable to the successful integration of various development components which created a cohesive and interconnected ecosystem, and made MVC as to be one of the benchmark for commercial-led integrated developments in Malaysia.

4.2.2. Location Analysis

A. Accessibility

- MVC's attractiveness lies not only in its master plan, but predominantly due to its strategic location at the fringe of Kuala Lumpur and at the beginning of the Federal Highway which connects the city to the rest of the GKL.
- MVC is strategically located next to the Federal Highway, which is the one of the main arterial roads into and out of the city. Its good network of links into the highways allows MVC to benefit from the large volume of daily traffic coming from all of the Klang Valley.
- Via public transport, MVC is served by the KTM Seremban-Rawang route with a dedicated KTM railway commuter station, namely Mid Valley Station. Furthermore, the opening of pedestrian bridge connecting The Gardens Mall and KL Eco City in November 2019 has also opened up the access of Abdullah Hukum LRT Station to the patrons of MVC.

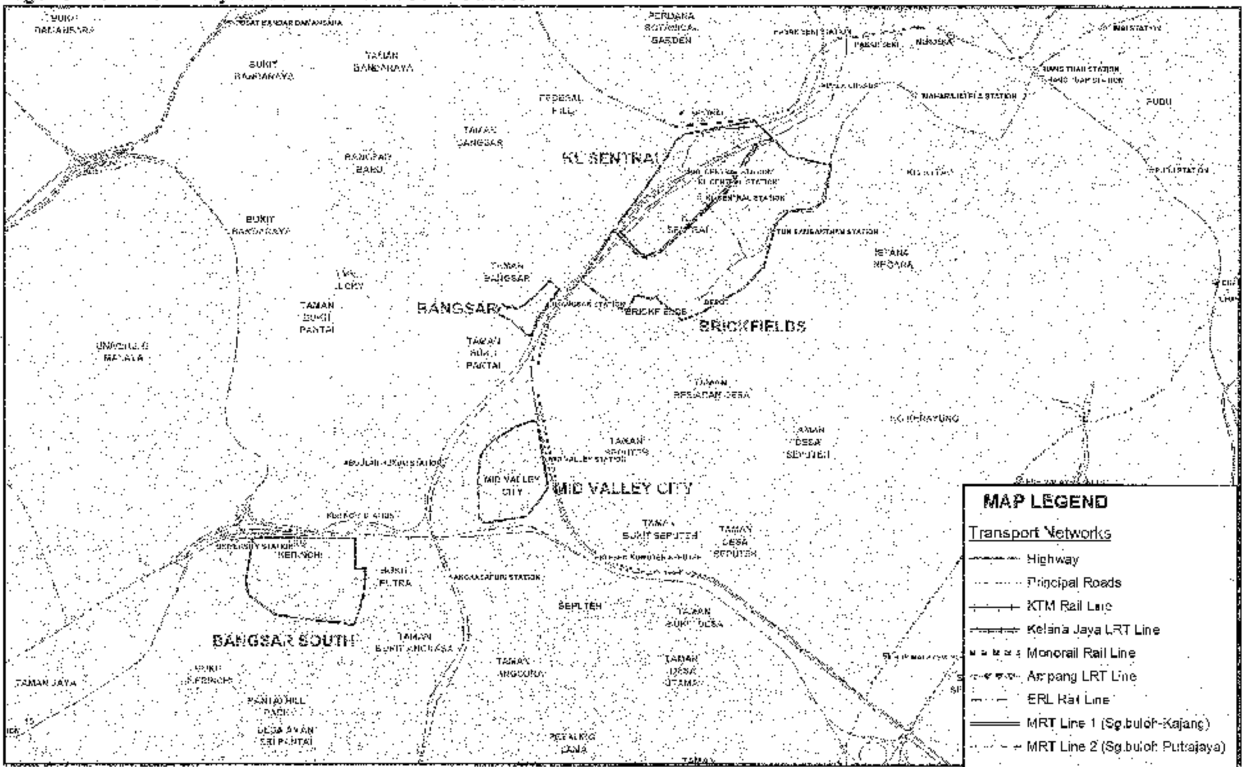
Figure 4.5 : Road and Rail Connection of Mid Valley City



Source : Savills Research

B. Proximity

Figure 4.6: Proximity to other Business Districts



Source: Savills Research

- MVC is located within the KL Suburban submarket, and has close proximity to other key business districts such as KL Sentral, Bangsar South, Bangsar, etc.
- As at end of 2020, office supply in these business districts total over 20 million sf, accounting for 55.0% of the office supply in KL Suburban submarket. This shows the prominence and importance of these locations, and is the key factor multinational companies are decentralized here.
- The completeness of amenities is also a key strength for the area. On top of Mid Valley Megamall and The Gardens Mall which are key attractions for shopping, other prominent retail malls within the vicinity includes Bangsar Village I and II, Bangsar Shopping Complex, The Nexus, KL Getaway and NU Sentral.

4.2.3. Competitor Analysis

- Of the over 20 million sf of office supply located within proximity to MVC, approximately 15 million sf are from the masterplan developments of KL Sentral (6.41 mil sf), Bangsar South (3.95 mil sf) , MVC (2.48 mil st) and KL Eco city (2 million sf). These developments are key competitors to office space in Mid Valley City.

A. Kuala Lumpur Sentral

- KL Sentral is a transit-oriented development sited just outside the KL City area. It spans across 72 acres and was developed by a consortium consists of Malaysian Resources Corp Bhd (MRCB), Keretapi Tanah Melayu Berhad (KTM Berhad) and Syarikat Pembinaan Redzai.
- The master plan development is a mixed development comprises the country largest transportation hub, offices, retail, high-rise residential and hotels.
- KL Sentral enjoys seamless connectivity to rail transportation. It is connected to eight (8) rail networks -- KTM Seremban Line, KTM Port Klang Line, ETS Intercity Line, LRT Kelana Jaya Line, KL Monorail Line, MRT Sungai Buloh- Kajang Line, ERL KLIA Express Line and ERL KLIA Transit Line.
- Being a self-contained development, KL Sentral is supported by mixed development within itself that offers a wide variety of amenities within walking distance. Such conveniences have curated a conducive business environment for companies to operate here. The unparalleled advantage of being the transportation hub for GKL, coupled by its close proximity to KL City, has made KL Sentral one of the preferred business addresses outside the KL City area. This is evidenced by its high occupancy of over 90.0% for more than 6 million sf of office space.

B. Bangsar South City

- Bangsar South City is a commercial mixed development located in the Pantai – Kerinchi subzone, which are commonly known as Kampung Kerinchi back in the 90s. Since this masterplan development commenced in 2005 by UOA Holdings Sdn Bhd, Bangsar South has emerged as one of the preferred commercial addresses in the KL Suburban submarket.
- The development spanned across 60 acres of land consists of offices, retails, hotels and high rise residential. Notable development components include Nexus @ Bangsar South, Connexion @ Nexus, Carmella Service Suites @ Nexus, The Village, The Horizon Boutique Office, The Vertical Office Tower, The Sphere Shopping Mall and The Park Residence.
- Bangsar South City is accessible via the Federal Highway, Sprint Highway and New Pantai Expressway. It is only accessible via LRT Kelana Jaya Line, which has two (2) LRT Stations located within walkable distance of 15 to 20 minutes from the development. The proximity to mature localities such as Petaling Jaya and Bangsar provides more choices of eatery, retail shops, schools, medical centre and recreational facilities.
- The component mix of Bangsar South City is focused on the office component, which found its niche in boutique office format with MSC Cybercentre Status. The 4 million sq ft. of office space averaged at 83% occupancy rate, and is predominantly occupied by the back-office of multinational companies, as well of local corporations.

C. KL Eco City

- KL Eco City is the one of the recent commercial mixed developments, sited on the former Kampung Haji Abdullah Hukum land. First launched in 2011, KL Eco City is jointly developed by SP Setia and Dewan Bandaraya Kuala Lumpur (DBKL), spanning across 25 acres of land next to Mid Valley City, consisting of offices, retails, and high rise residential component.
- The development is mostly developed, with only about 17% or 4.2 acres remaining for future residential development. Aspire Tower is the last commercial office block within KL Eco City, comprises 253 strata office units, scheduled for completion in 2021. Some existing developments within KL City are Strata Office Tower 1, Mercu 2 & Mercu 3 @ KLEC, The 12 Pillars, KL Eco City Mall and Vogue Lifestyle Suites. An upcoming strata office development in the pipeline is Aspire Tower, with net lettable area circa 670,000 sq. ft.
- In terms of road connectivity, KL Eco City is connected to the Federal Highway, New Pantai Expressway, Jalan Bangsar and Jalan Maarof via six (6) new ramps and bridges. The development has direct access to LRT Kelana Jaya Line and KTM Line via Abdullah Hukum station.
- As at 2020, there are approximately 2 million sf of office space in KL Eco City, with an average occupancy rate of 63%. Some of the notable tenants include Samsung, Zurich and Gilbratar BSN.

Figure 4.7: Key Facts of MVC, KL Sentral, Bangsar South City and KL Eco City

	Mid Valley City	KL Sentral	Bangsar South City	KL Eco City
Land Size	50 acres	72 acres	60 acres	25 acres
Total Gross Floor Area (GFA)	~ 12 mil sf	~ 20 mil sf	~ 12 mil sf	~ 7.5 mil sf
Component Mix	▪ Office: 33% ▪ Retail: 45% ▪ Hotel: 16% ▪ Residential: 6%	▪ Office: 57% ▪ Retail: 7% ▪ Hotel: 11% ▪ Residential: 20% ▪ Transportation: 5%	▪ Office: 57% ▪ Retail: 3% ▪ Hotel: 5% ▪ Residential: 35%	▪ Office: 46% ▪ Retail: 4% ▪ Hotel: 3% ▪ Residential: 47%
Road Accessibility	Persiaran Syed Putra via Federal Highway and Jalan Bangsar	Jalan Travers / Jalan Tun Sambanthan	Jalan Kerinchi	Persiaran Syed Putra via Federal Highway and Jalan Bangsar
Public Transport Connection	LRT & KTM	LRT, KTM, MRT, ERL	LRT	LRT & KTM
Main Retail Centre	Mid Valley Megamall and The Gardens Mall	Nu Sentral	The Nexus and The Sphere	KL Eco City Mall
Offices Supply (Est. NLA)	2.46 million sf	6.41 million sf	3.95 million sf	2.02 million sf
Weighted Average Occupancy Rate (2020)	78%*	92%	83%	63%
Office Gross Asking Rental Rate	RM5.60 – 7.20 psf [Concluded]	RM6.00 – 8.50 psf	RM5.00 – 6.20 psf	RM6.00 – 6.50 psf
MSC Cybercentre Status & Designated Buildings *Note: Designated Buildings refers to commercial buildings accredited by MDEC*	▪ Gardens North Tower ▪ Gardens South Tower	▪ Plaza Sentral ▪ Menara Axiata ▪ 1 Sentral ▪ Mercu UEM ▪ Menara Shell ▪ Menara Allianz Sentral ▪ Menara NU Tower 2 ▪ Menara 1 Sentrum	▪ The Horizon ▪ UOA Corporate Tower ▪ Vertical Corporate Tower B ▪ Wisma UOA Damansara II ▪ Menara Etiqa ▪ Tower 9	▪ Mercu 2 @ KLEC (application process)
Unique Selling Proposition	▪ Prominent business address ▪ Mid Valley Megamall and The Gardens Mall are key differentiating factor ▪ Unique location with proximity to both KL City and major suburbs ▪ Easy connection via road and rail ▪ Comprehensive component mix allowing for self-sustainability	▪ Known as the nation's largest transportation hub ▪ Excellent rail connectivity – connected to eight (8) rail routes ▪ Proximity to the KL City ▪ Availability of choices of MSC Tier 1 Office Buildings ▪ Closed proximity to mature and affluent neighborhood	▪ Business park environment for the local corporation and multinational companies ▪ Proximity to major suburbs ▪ Availability of choices of MSC Tier 1 Office Buildings ▪ Closed proximity to mature and affluent neighborhood	▪ Emerging new office address in KL Suburban region ▪ Proximity to the mature commercial hub of MVC ▪ Easy connection via road and rail

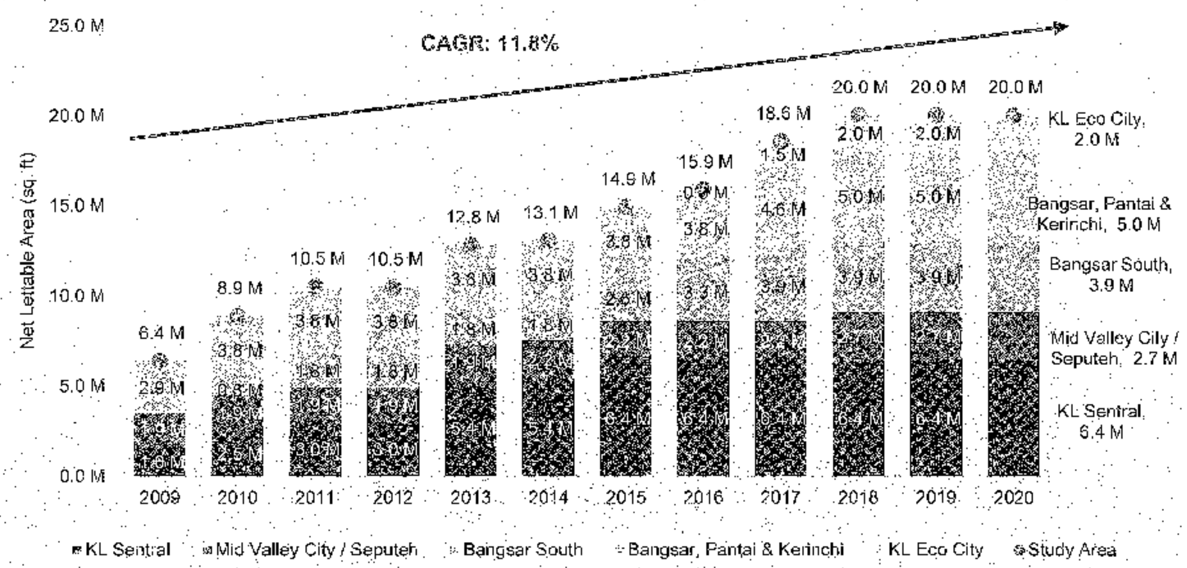
*Note: *Occupancy for Mid Valley City inclusive of all MVC assets and Menara Northpoint. Source : Savills Research*

4.2.3.1 Office Market in the Study Area

A. Supply Analysis

- The study area is defined by business districts in close proximity to MVC, including KL Sentral, Bangsar, Pantai & Kerinchi, Bangsar South and KL Eco City.
- As at 2020, cumulative office supply in the study area totals to 20 million sf, representing half of the office supply in the KL Suburban area. Since 2009, office supply in the surrounding has increased by 13.6 million sf, led by KL Sentral (+4.8 million sf) and Bangsar South (+3.9 million sf), Bangsar, Kerinchi & Pantai (+2.1 million sf) and KL Eco City (+2.0 million st). In the next three years, it is anticipated that the office supply will expand by another 3.3% (+ 670,000 sq ft) with the completion of Aspire Office tower in KL Eco City.

Figure 4.8: Distribution of Office Supply in the Study Area, (2009-2020)

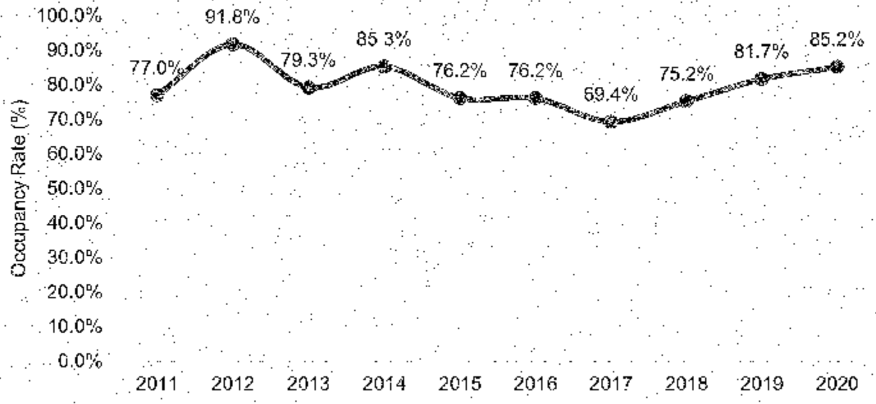


Note: Total may not add up to the shown figures due to rounding off.
Source: Savills Research

B. Occupancy Rate Analysis

- As at 2020, occupancy rates of office buildings in the study area averaged at 85.2%. Weighted average occupancy rate has declined from a high 91.8% in 2012, to a low of 69.4% in 2017, primarily due to the large influx of supply from Bangsar South City and KL Eco City. Both of the areas recorded lower-than-average occupancy in 2019.

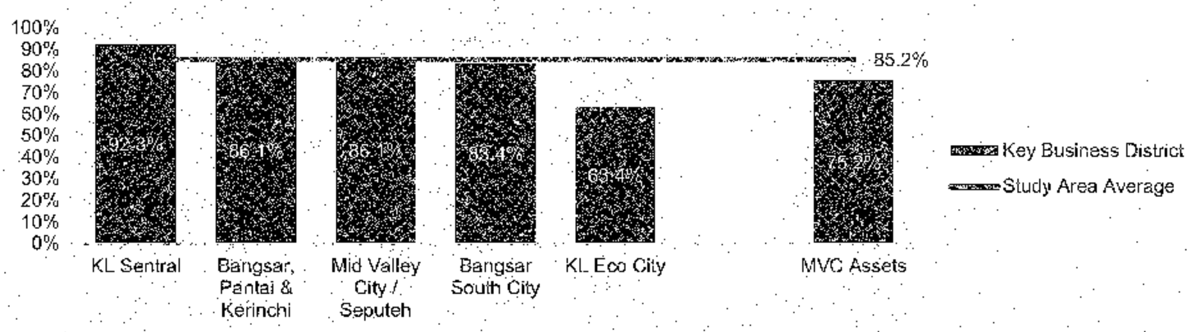
Figure 4.9: Historical Weighted Average Occupancy Rates in Study Area, (2011 – 2020)



Source: Savills Research

- KL Sentral continues to be the preferred office address outside KL City area, as evidenced by the high occupancy rates of 92.3%. Bangsar, Pantai & Kerinchi area has also maintained high average occupancy of 86.1%, but are mostly old buildings with low specification.
- The weighted average occupancy rate of MVC Assets for 2020 is 75.2%, slightly lower than study area average. This is primarily due to the new completion of Menara Southpoint that is 59.3% occupied as at December 2020.

Figure 4.10: Weighted Average Occupancy Rates, 2020



Note: Occupancy rate for Mid Valley City / Seputeh exclusive of MVC Assets, namely Menara IGB & IGB Annex, Boulevard Properties, Centrepoint North, Centrepoint South, The Gardens North Tower, The Gardens South Tower and Southpoint Properties. .
Source: Savills Research

- Demand of office space in the KL Suburban has improved over the years, owing to the continuous improvement of connectivity and accessibility such as LRT and MRT. Demand in decentralization of office space are generally from financial services / insurance companies, consulting, marketing & business services companies and information technology companies.
- In the past 2 years, notable tenants' movement from KL City to the KL Suburban includes the relocation of Zurich HQ to Mercu 3 KL Eco City, Gilbraltar BSN Life Bhd, Samsung and F-Secure Corporation to Mercu 2 KL Eco City. There are also companies that expanded their operation to offices in KL Suburban, such as Google to Menara Shell and Teledirect Malaysia to Menara Kembar Bank Rakyat.
- Trend of having flexible space / co-working operators in newly completed office buildings also prevalent in KL Suburban in the recent years. Major operators such as WeWork, Colony and Common Ground set up in offices within KL Eco City, while Spaces and Common Ground expand their footprint at Platinum Sentral in KL Sentral.

C. Rental Rate Analysis

- The rental range of offices in the surrounding areas ranged between RM5.00 per sf / month to RM8.50 per sf / month in 2020. KL Sentral remains as the key office location with high rental, due to its location and availability of MSC-status buildings.
- Outside KL Sentral, most offices ranged between RM5.00 per sq.ft / month to RM6.50 per sf / month, with the exception of The Gardens North Tower and The Gardens South Tower, as well as the recently completed Menara Etiqa.
- Offices with similar building specification that have accredited with MSC status generally command higher asking rents compared to non-MSC office buildings, due to a higher building specification coupled with tax and employment incentives by the government.

Figure 4.11: Gross Asking Rentals of Selected office buildings in the Surrounding Areas, 2020

Building Name	Building Age	NLA (sf)	MSC Status	Gross Asking Rent (RM psf / month)
Mid Valley City				**5.20 – 7.00 (concluded rent)**
Menara IGB & IGB Annexe	20	261,993	MSC Tier 2	5.20
Boulevard Properties	19	53,715	MSC Tier 2	6.90
Centrepoint North	12	232,051	MSC Tier 2	6.10
Centrepoint South	12	232,237	MSC Tier 2	6.10
Gardens North Tower	10	425,612	MSC Tier 1	6.80
Gardens South Tower	10	422,381	MSC Tier 1	7.00
Southpoint Properties	2	515,501	MSC Tier 2	6.70

Figure 4.11: Gross Asking Rentals of Selected office buildings in the Surrounding Areas, 2020 (Cont'd)

Building Name	Building Age	NLA (sf)	MSC Status	Gross Asking Rent (RM psf / month)
KL Sentral				**6.50 – 8.50**
Platinum Sentral	8	487,000	MSC Tier 2	8.00 - 8.50
1 Sentral	13	351,000	MSC Tier 1	7.00
Nu Tower 1 & 2	7	758,000	MSC Tier 1	6.50
Q Sentral (Stratified)	5	1,050,000	-	6.00
KL Eco City				**6.00 – 6.50**
Mercu 2, KL Eco City	2	544,300	* -	6.50
Mercu 3, KL Eco city	2	432,700	-	6.00
Bangsar South				**6.00 – 6.20**
The Vertical Tower B	3	693,000	MSC Tier 1	6.20
UOA Corporate tower	4	693,000	MSC Tier 1	6.20
Bangsar, Pantai & Kerinchi				**5.00 – 7.30**
Menara Etiqa	2	380,000	MSC Tier 1	7.00 – 7.30
Menara UOA Bangsar Tower B	11	200,000	-	6.00 – 6.50
Menara Suezcap, KL Gateway	3	396,000	-	5.00 – 5.50

*Note: * Concluded Rent stated for the Assets refers to weighted average gross rent.*
**Mercu 2 is currently undergone application to obtein accreditation for MSC Tier 1.*
Source: IGB Berhad, Savills Research

4.2.4. Review of Assets in MVC

4.2.4.1 Description of Assets

- As stated in Section 5.1, there are a total of seven (7) assets which formed part of MVC, of which the descriptions each asset are summarized in Table 4 5.

Figure 4.12: Description of Assets in MVC (as at December 2020)

MID VALLEY CITY (MVC)	
Locality	Mid Valley City
Address	Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur
Land Tenure*	99-year leasehold land (expiring on 6 June 2103, approximately 83 years of unexpired terms)

*Note:**
On 16 July 2020, MVC Southpoint had obtained the relevant State Authority's approval for the extension of the unexpired leasehold tenure of the title to the Menara Southpoint Land from 83 years to 99 years, and on 5 August 2020, had paid the premium for the Leasehold Tenure Extension. The new title to the Menara Southpoint Land which reflects the Leasehold Tenure Extension is pending issuance.
Source : IGB Group

Figure 4.12: Description of Assets in MVC (as at December 2020)

Asset Name	Menara IGB & IGB Annexe	Boulevard Properties	Centrepoint North	Centrepoint South
Description	An 18-storey office block together with a 2-storey office building annexed thereto, both erected on top of a 5-storey retail podium known as Mid Valley Megamall	2 blocks of 11-storey office units known as Blocks 25 and 27 of Boulevard Offices consisting of 22 stratified office units	Two individual 19 storey office building sitting on top of a five storey retail podium known as Mid Valley Megamall	
Year of Completion	2000	2001	2008	
Building Age	20 years in age	19 years in age	12 years in age	
No. of floors (excluded basement)	18	11	18	
Net Lettable Area (sf) *(As at December 2020)*	261,993 sf	21,448 sf – Building No. 25 32,267 sf – Building No. 27	232,051 sf – Centrepoint North Tower 232,237 sf – Centrepoint South Tower	
Floor Plate	Approximately 13,000 sf	2,024 sf – Building No. 25 3,111 sf – Building No. 27	12,609 sf – Centrepoint North Tower 12,415 sf – Centrepoint South Tower	
No. of Lifts	6 nos.	2 nos.	7 nos.	
No. of Car Parks	Sharing carpark bays with the retail mall.			
MSC Status	MSC Tier 2	MSC Tier 2	MSC Tier 2	
Green Building Certification	Nil	Nil	Nil	

Source : IGB Group, Savills Research

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Figure 4.12: Description of Assets in MVC (as at December 2020)

Asset Name	Gardens North Tower	Gardens South Tower	Southpoint Properties
Description	Two individual 26 storey office building constructed on top of an eight storey retail podium known as The Gardens Mall.		27 storey of office levels, two levels of retail floors and 1,065 parking bays within a 59 storey mixed commercial building known as Menara Southpoint.
Year of Completion	2009		2018
Building Age	10 years in age		2 years in age
No. of floors (excluded basement)	26		27
Net Lettable Area (sf) *(As at December 2020)*	425,612 sf – Gardens North Tower 422,381 sf – Gardens South Tower		515,501 sf
Floor Plate	14,545 – 16,602 sf – Gardens North Tower 15,351 – 18,114 sf – Gardens South Tower		7,685 – 19,063 sf
No. of Lifts	16 nos.		11 nos.
No. of Car Parks	Sharing carpark bays with the retail mall.		1,065 parking bays
MSC Status	MSC Tier 1		MSC Tier 2
Green Building Certification	Nil		GBI Silver

Source : IGB Group, Savills Research

4.2.4.2 Performance Analysis (as at December 2020)

Asset Name	Menara IGB & IGB Annexe		Boulevard Properties		Centrepoint North		Centrepoint South	
Occupancy Rate	88.7%		Overall: 88.3% Block 25: 81.7% ; Block 27: 92.7%		89.3%		83.8%	
Average Gross Rent	RM5.20 psf		RM6.90 psf		RM6.10 psf		RM6.10 psf	
Top 5 Occupiers *(Based on occupied space)*	iHeal Medical Services S/B	19%	Heguru Educational Laboratory (M) S/B	13%	Ipsos S/B	12%	ISEC S/B	12%
	Yun Nam Hair Care S/B	14%	Wealthy Pentagon S/B*	12%	WSpace (M) S/B	11%	Openet Telecom Malaysia S/B	9%
	Panasonic Industrial Devices Sales (M) S/B	11%	Sterling Insurance Brokers S/B	11%	Veeam Software Malaysia S/B	6%	Estee Lauder Malaysia S/B	8%
	Octafa Consulting S/B	9%	Enagic (Malaysia) S/B	11%	Edelman Public Relations Worldwide S/B	6%	Worldline International (M) S/B	6%
	SPE-Asia Pacific (M) S/B	5%	MP Honan Insurance Brokers S/B	9%	TPSC Engineering (M) S/B	6%	Clever Eagle Sdn Bhd	6%
Occupier Trade Sector Analysis *(Share over total committed space)*	Information Technology & Communication	20%	Financial / Insurance	27%	Consultancy / Marketing / Business Services	45%	Information Technology & Communication	22%
	Pharmaceutical / Medical	19%	Consultancy / Marketing / Business Services	26%	Information Technology & Communication	21%	Consultancy / Marketing / Business Services	18%
	Retail / FMCG	18%	Education Institutions	13%	Flexible Space	11%	Pharmaceutical / Medical	15%
	Engineering & Manufacturing	16%	Retail / FMCG	12%	Retail / FMCG	8%	Retail / FMCG	12%
	Consultancy / Marketing / Business Services	7%	Oil & Gas	7%	Engineering & Manufacturing	6%	Engineering & Manufacturing	12%
	Government / NGO / Association Office	5%	Information Technology & Communication	6%	Financial / Insurance	4%	Real Estate / Construction	8%
	Legal	2%	Café / Restaurant	5%	Real Estate / Construction	3%	Flexible Space	6%
	Others	13%	Legal	4%	Pharmaceutical / Medical	2%	Financial / Insurance	5%
							Oil & Gas	2%
Type of Corporation Analysis	Multinational Companies (MNC)	56%	Multinational Companies (MNC)	47%	Multinational Companies (MNC)	81%	Multinational Companies (MNC)	73%
	Small Medium Enterprises (SME)	36%	Small Medium Enterprises (SME)	46%	Flexible Space Operator	11%	Small Medium Enterprises (SME)	21%
	IGB Group	8%	Public Listed Companies (PLC)	7%	Small Medium Enterprises (SME)	8%	Flexible Space Operator	6%

*Note: * Upon non-renewal of tenancy for Wealthy Pentagon S/B by Q1 & Q3/2021, 2nd largest occupied will be replaced by Sterling Insurance Brokers S/B, and followed by Enagic Malaysia Sdn Bhd and MP Honan Insurance Brokers Sdn Bhd as the 3rd and 4th largest occupiers. The 5th largest occupier for Boulevard Properties will be Hong Leong Bank Bhd, which accounted for 7% of the occupied space as at 31st December 2020.*

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4.2.4.2 Performance Analysis (as at December 2020)

Asset Name	Gardens North Tower		Gardens South Tower		Southpoint Properties	
Occupancy Rate	75.4%		83.9%		59.3%	
Average Gross Office Rent	RM6.80 psf		RM7.00 psf		RM6.70 psf	
Top 5 Occupiers *(Based on occupied space)*	Oracle Corporation Malaysia S/B	15%	IGB Berhad	12%	BHP Shared Services Malaysia S/B	31%
	ResMed (Malaysia) S/B	10%	B & M Consultancy Services S/ B	10%	Shopee Mobile Malaysia S/B	29%
	Rahmat Lim Corporate Services S/B	10%	Steelcase Office Solutions (M) S/B	9%	Yinson Holdings Bhd	12%
	Cagamas Bhd	10%	Danone Specialized Nutrition (Malaysia) S/B	9%	Agoda International (Malaysia) S/B	12%
	AS White S/B	7%	NEC Corporation of Malaysia S/B	9%	Body Perfect (Southpoint) S/B	8%
Occupier Trade Sector Analysis *(Share over total committed space)*	Information Technology & Communication	35%	Consultancy / Marketing / Business Services	26%	Consultancy / Marketing / Business Services	42%
	Consultancy / Marketing / Business Services	14%	Real Estate / Construction	23%	Mining & Quarrying	31%
	Financial / Insurance	13%	Information Technology & Communication	11%	Oil & Gas	12%
	Pharmaceutical / Medical	10%	Engineering & Manufacturing	11%	Retail / FMCG	8%
	Legal	10%	Retail / FMCG	11%	Information Technology & Communication	7%
	Flexible Space	5%	Legal	10%		
	Oil & Gas	5%	Financial / Insurance	6%		
	Engineering & Manufacturing	4%	Others	2%		
	Others (Café / Restaurant, Amenities)	4%				
Type of Corporation Analysis	Multinational Companies (MNC)	76%	Multinational Companies (MNC)	51%	Multinational Companies (MNC)	92%
	Public Listed Companies (PLC)	15%	IGB Group	28%	Small Medium Enterprises (SME)	8%
	Flexible Space	5%	Small Medium Enterprises (SME)	17%		
	IGB Group	3%	Public Listed Companies (PLC)	4%		
	Small Medium Enterprises (SME)	1%	Association / NGO	1%		

Source: IGB Group, Savills Research

4.2.5. SWOT Analysis

A. Strength

- **Excellent amenities within 'doorstep'.** MVC has established itself as a key business district in the GKL region, and continue to attract large volume of footfall to the development with its retail and office components. This is largely attributed to Mid Valley Megamall and The Gardens Mall, which are the key components of the masterplan development. The malls attract over 30 million footfalls every year and are the epicenter of MVC. This is the key differentiating factor that MVC has as compared to other competing masterplan developments.
- **Highly accessible.** MVC is highly connected via road, especially with the direct entrance point from the Federal Highway, as well as Jalan Bangsar which is connected to KL Sentral and other major business districts. The public transportation connection to the KTM and LRT routes is also one of the most comprehensive as compared to other developments. The location of MVC at the perimeter of KL City area with high connectivity to other major suburbs, is a unique factor by itself. This allows the catchment area to be extended to a wide area, and is evidenced in the high footfall.
- **Self-sustained integrated development.** As an integrated development consisting retail, office, hotel and residential, MVC is a self-sustained integrated development. This is attributable to the successful integration of various development components which created a cohesive and interconnected ecosystem. For businesses, the ease of access in a prime location enables easy talent recruitment, and the availability of convention centre and hotels within doorsteps from the office is an added advantage
- **Prominent development on large tract of land.** Over the past two decades, MVC has established itself as a prominent business address as well as a household name in the GKL. The prime location, good road and rail connection, and comprehensive component mix are hard to be replicated in other parts of GKL, especially with a large land size of 50 acres that rare nowadays.
- **Diversified Tenant Profile.** The KL Suburban market has traditionally been an office location for a wide variety of business, as compared to the KL City market where oil and gas sector accounted for 38% of the office occupancy, and is susceptible to the sectorial risk.

B. Weakness

- **MVC is almost fully developed.** MVC is almost fully developed after more than two decades of development, this means that new components of latest concept can only be introduced via refurbishment and reconfiguration.
- **Aged Office developments.** Aside from Gardens North Tower, Gardens South Tower and Menara Southpoint, the other buildings are 10-20 years old and may require upgrading / refurbishment works in the future to stay competitive and appealing to occupiers in the market, in view of competition from other newly completed office buildings offering competitive rental rate.
- **Leasehold tenure.** The assets are built on leasehold land, with unexpired terms of approximately 83 years.

C. Opportunities

- **Decentralization Trend.** The decentralization trend from the KL City area to the KL Suburban area has contributed to the high office take-up in the area, this is an important source of demand for office space in MVC.
- **Evolution of Office Preference.** Demographic shift in the workforce today and disruption of technology has change how people works today. Amenities have become one of the key tenant's criteria. With Mid Valley Megamall and The Gardens Mall at the 'doorstep' from the MVC office assets, this makes MVC one of the preferred work location.

D. Threats

- **Large impending supply.** The closest competition to the MVC properties will come from Aspire Tower (670,000 sf) which will be completed in 2022 in KL Eco City, notwithstanding future supply of circa 11.6 million sf in Greater KL by 2023.
- **New integrated developments.** While there is no new office building under-construction currently in the surrounding area, there are two earmarked integrated developments, i.e. PHB Bangsar (former Unilever Land) and SP Setia's Federal Hill. Both are large-scale integrated developments with office components, but may only see its first completion after 2024.

4.3. Market Outlook of the MVC Assets

- The assets in Mid Valley City represents 61.8% of the total NLA of the REIT portfolio and are uniquely located in one of the most successful integrated developments in Malaysia. The integration with other property components such as retail and residential, coupled with the excellent connectivity on road and rail, has created a prominent address for businesses to be established here. Mid Valley City has also differentiated itself from the strong competition of KL Sentral, attributed to its cohesive and inclusive ecosystem with excellent amenities. MVC is expected to remain popular among office occupiers going forward.
- Weighted average occupancy rate in the study area (85.2%) is noticeably higher than the Greater KL weighted average of 75.2%, and the KL Suburban submarket is expected to see no more than 2.6% supply CAGR by 2023. This means that the downside risk in occupancy is lesser than other submarkets.
- The MVC assets have healthy lease expiry profile, with Weighted Average Lease Expiry (WALE) of approximately 1.95 years (based on occupied space). Tenancy risks are manageable given that a majority of the existing tenants has long-term relationship with the IGB management.
- The tenant's profile of the MVC assets focuses on Consultancy, Marketing and Business Services sector (26%), as well as the Information Technology and Communication sector (18%), which differs from KL City submarket. The Consultancy, Marketing and Business Services sector generally prefers the suburban locations over city centre, as they typically do not require such address prominence. The Information Technology and Communication is seeing increasing demand from the pandemic as digitization intensifies and is comparatively more resilient than other sectors.
- In view of the fact that Mid Valley City is almost fully developed, there is little room for more new buildings to be developed within Mid Valley City. The MVC Assets will age over time, and the existing building concepts of the MVC Assets will slowly become outdated. With the aforementioned weakness, coupled with the threats of large impending supply and upcoming new integrated developments, the MVC Assets may lose its existing tenants to newer buildings who are able to offer competitive rates, resulting in potentially lower income to IGB Commercial REIT.
- IGB Berhad, who is well aware of this risk, has been continuously enhancing the Mid Valley City development in order to further improve its appeal and to drive footfall traffic. This is evidenced by their previous track record in successfully enhancing the connectivity, accessibility and asset enhancement initiatives within the Mid Valley City development.
- In order to ensure that shareholders' value is maximised, the Manager will adopt a strategy to proactively manage and enhance the MVC Assets. Another measure that can be undertaken would be the early engagement of expiring tenancies, which has proven itself as an effective measure, as high renewal rates have historically been secured; and in the event of non-renewal by a tenant, ample time is therefore provided to secure new tenants.
- Additionally, the landlord is committed to forge strong and long-term relationships with its tenants through regular engagement in order to better understand and satisfy tenants' requirements. We observed that this has proven effective, given that the length of relationship between the landlords and several of its top 10 tenants are around 10 years and counting.
- Despite the large impending supply of office buildings which may come from standalone office buildings or office buildings within new integrated developments, it is worth noting that one of the merits for the location of the MVC Assets is that the MVC Assets are anchored by two (2) flagship malls with an array of retail stores and dining options supported by a diverse tenant mix. This has provided a high level of convenience and value-added services for its tenants by being within steps away from the two (2) most popular mega malls in Malaysia.
- All things considered, the MVC Assets are well positioned to remain as preferred office address and is more resilient to market downturn if any.

4.4. Assets in Golden Triangle ("GT")

- Menara Tan & Tan, GTower and Hampshire Place are all located within the Golden Triangle zone of the KL City area. The assets are located along the Jalan Tun Razak belt, with Menara Tan & Tan and GTower both accessible directly from the main road, while Hampshire Place is accessible via Persiaran Hampshire.

4.4.1. Location Analysis

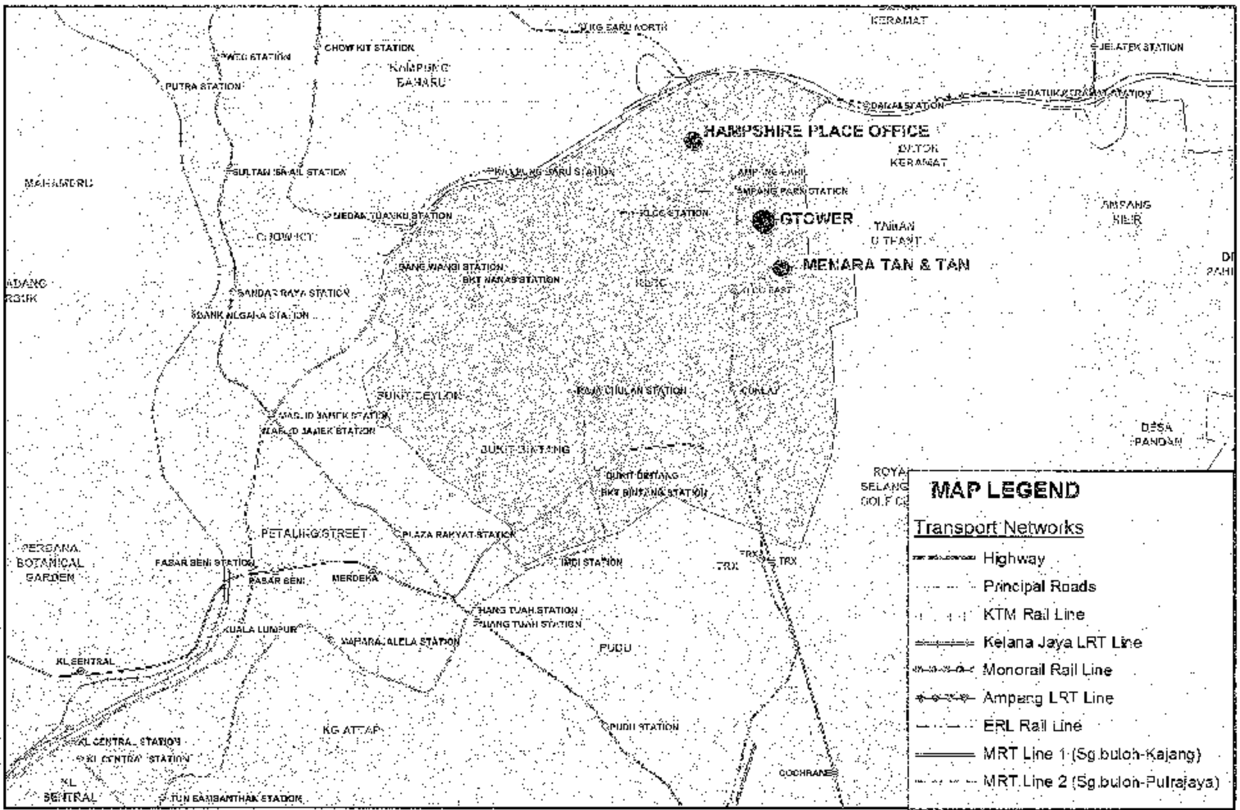
A. Accessibility

- The Golden Triangle zone is the epicenter of GKL, and is where multinational companies, prestigious malls, high-end residential and five-star hotels congregate.
- Connectivity is most comprehensive in Golden Triangle, and is accessible via the Federal Highway, Maju Expressway (MEX) and SMART tunnel. The three arterial roads of the city centre are Jalan Sultan Ismail, Jalan Ampang and Jalan Tun Razak. Notably, the three assets are within 500-metre radius from the Ampang Park LRT station.
- The history of GKL began here, and has grown to the international standard today since independence.

B. Proximity to Business Districts

- The Golden Triangle is located within the KL City submarket and is the core business district for the GKL.
- As at 2020, office supply in the Golden Triangle zone totals over 35.8 million sf, accounting for 71.5% of the office supply in KL City submarket.
- There is a wide variety of amenities and services available in the Golden Triangle, including prestigious malls such as Suria KLCC and Pavilion Kuala Lumpur, prime office buildings such as the Petronas Twin Towers and Integra Tower which are home to MNCs, as well as the newly completed The Exchange 106 in the Tun Razak Exchange which is another new landmark.
- The Golden Triangle (GT) region is a key business district in Greater KL. It has traditionally been the preferred office address, with completeness in terms of business ecosystems. It is worth noting that the GT region achieved its current state of maturity through organic growth over many years, which is different from the masterplan developments that were built in later years, e.g. MVC, KL Sentral, Bangsar South, etc.
- It must be noted that the competitors for the GT Assets consist of standalone office buildings. With similarity in terms of locational aspects (i.e. access to transport network, facilities, and amenities), the performance of office buildings within GT are largely dependent on the quality aspects (refer to Section 3.3). Demand for detail explanation). There are no attributes or characteristics that can distinguish/divide the locational aspects of each standalone office buildings in GT region. As such, the merits of each standalone buildings are dependent on the respective building specifications.
- Furthermore, we are of the opinion that the three (3) key main roads (Jalan Tun Razak, Jalan Sultan Ismail or Jalan Ampang) in the city centre continue to serve as a pertinent office address today. In view of the GT assets being standalone office buildings located along Jalan Tun Razak, we have included office buildings along these identified main roads for the purpose of analysis. We would like to highlight that the analysis of GT Assets should be read together with the performance of the entire GT region.

Figure 4.13 Location Map of GT Assets



Source : Savills Research

4.4.2. Notable Office Developments in GT

- The KL City region will contribute an estimated 8.3 mil sf of new office space by 2023. A significant amount of the supply is contributed by notable developments within Tun Razak Exchange (TRX), Bukit Bintang City Centre (BBCC) and Menara Warisan Merdeka 118.
- However, it should be highlighted that the office buildings in Tun Razak Exchange and Menara Warisan Merdeka 118 are higher grade office buildings, which generally possess attributes of large and efficient floor plates, good visibility and wayfinding, entrance statement, green accreditation and are MSC-ready). Office buildings of this category are positioned towards a different market segment and have higher asking rents. On the other hand, BBCC is a strata office development, which targets a different market segment of retail investors / occupiers.

A. Tun Razak Exchange (TRX)

- TRX is a master-planned integrated development announced by the Government since 2012. Formerly known as Kuala Lumpur International Financial District (KLIFD), the development is positioned to be an international finance and business hub. Its location is sandwiched between Bukit Bintang and Pudu, which is at the intersection between Jalan Tun Razak and Jalan Kampung Pandan.
- The development spans across 70 acres of land, master-developed by TRX City Sdn Bhd, which is wholly owned by the Ministry of Finance (MoF). TRX has plans for the development of thirty (30) buildings totaling 24 mil sf of GFA spread across residential, office, retail, and hotel space.
- To date, there are a total of five (5) office buildings in TRX, amounting to approximately 4.13 mil sf. Two (2) buildings have been completed in 2019, being Menara Prudential and The Exchange 106. The remaining three (3) office developments in the pipeline include HSBC HQ and Affin Bank HQ (both slated for completion by 2021) as well as LQ Office by Lendlease in 2022.
- TRX is accessible via major roads in the city centre. It also has a dedicated MRT station on the MRT Sungai Buloh – Kajang Line, namely Tun Razak Exchange (TRX) station.

- TRX is poised to be the country's premier international financial hub. As at 2020, The Exchange 106 is about 20% leased. However, Menara Prudential, the first office tower that was completed in TRX in 2019 is now 80% occupied. Office developments in the pipeline are the Affin HQ and HSBC HQ, both of which will be up to two-thirds owner occupied.

B. Bukit Bintang City Centre (BBCC)

- BBCC is an integrated development spanning across 19.4 acres of land (formerly the Pudu Prison) at the intersection of Jalan Pudu and Jalan Hang Tuah. The development consists of three phases and was launched in 2016. It is developed under the joint-venture partnership of Urban Development Authority (UDA), Ecoworld Bhd and Employees Provident Fund (EPF).
- Phase 1 of BBCC consists of The Stride strata offices, Mitsui Shopping Park Lalaport KL Mall, the Canopy by Hilton Hotel, two blocks of serviced apartments, an entertainment hub and a transit hub, which are targeted to complete by 2021. The Stride strata office block is a 45-storey GBI-certified office building with typical floor plate of 11,383 sf, with office units ranges from 948 sf to 1,187 sf. It is slated for completion by 2021. The offices are available for sale and lease at gross asking rents of RM6.00 psf to RM7.00 psf.
- Future phases of BBCC will consist of three blocks of serviced apartments, two office blocks as well as the 80-storey BBCC signature tower. The signature tower will house a hotel, corporate office and luxury residence.

C. Menara Warisan Merdeka 118

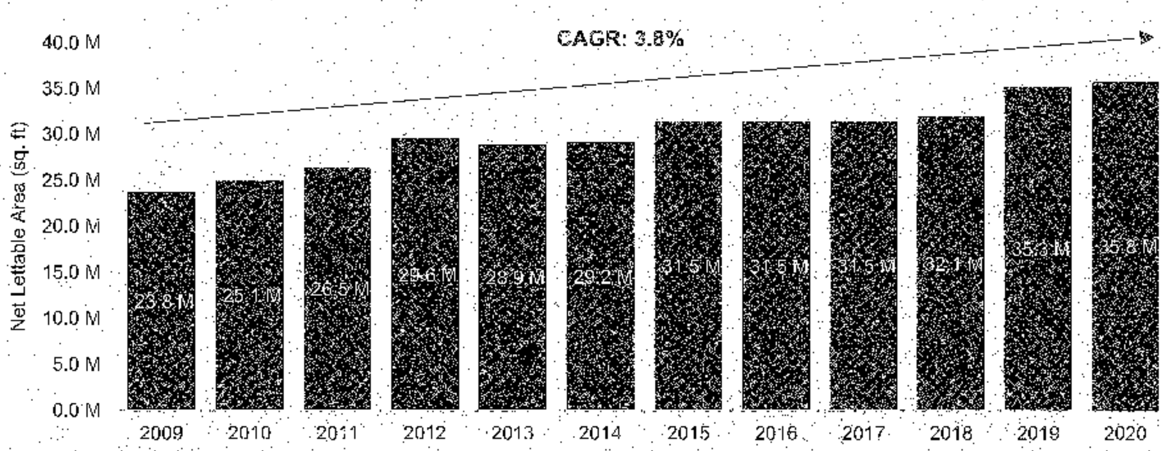
- Situated along Jalan Hang Jebat, Menara Warisan Merdeka 118 is an integrated 118-storey tower development developed by Permodalan Nasional Bhd (PNB). The current ongoing phase comprises approximately 1.7 mil sf of office space, 1.0 mil sf of retail space and 250 keys hotel by Park Hyatt. Future phases of the development will include three premium residential towers.
- The completion date of the skyscraper has been pushed back from 2021 to Q2 2022 due to interruption of construction activities during the MCO between mid-March to mid-May 2020. The office building has a typical floor plate of approximately 20,000 sf, and is positioned to be a green building with MSC Cybercentre qualifications.
- It is reported that PNB will be taking up 17 floors for their own occupation. As at 2020, the preleasing activities have commenced with asking rents ranging between RM10.50 to RM15.00 psf.

4.4.2.1 Office Market in the Study Area

A. Supply Analysis

- The study area is defined by the primary commercial areas within the KL City area known as Golden Triangle. KL City has a total office supply of approximately 50 million sf, and is divided into two main zones, i.e. Golden Triangle and Central Business District.
- Cumulative office supply in Golden Triangle recorded 35.8 million sf, accounted for approximately 71.5% of the office supply in the KL City area. Supply in Golden Triangle has increased by 50% since 2009 (+ 11.6 million sf), equivalent to CAGR of 3.8%, which is lower than GKL's average of 4.4%.

Figure 4.14: Distribution of Office Supply in the Study Area, (2009-2020)

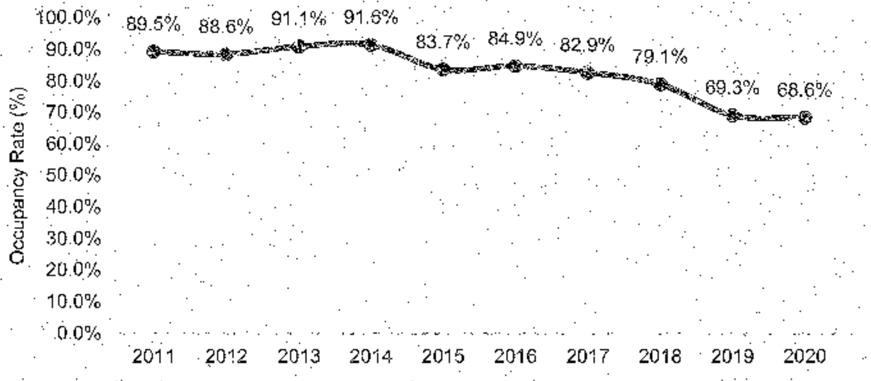


Source: Savills Research

B. Occupancy Rate Analysis

- As stated in Section 4.4.1 (B), with similarity in terms of locational aspects (i.e. access to transport network, facilities and amenities), the performance of office buildings within GT are largely dependent on the quality aspects. There are no attributes or characteristics that can distinguish/divide the locational aspects of each standalone office buildings in GT region. As such, the merits of each standalone buildings are dependent on the respective building specifications.
- Furthermore, we are of the opinion that the three (3) key main roads (Jalan Tun Razak, Jalan Sultan Ismail or Jalan Ampang) in the city centre continue to serve as a pertinent office address today. In view of the GT assets being standalone office buildings located along Jalan Tun Razak, we have included office buildings along these identified main roads, as the study area for the purpose of analysis.
- As at 2020, occupancy rates of office buildings in Golden Triangle averaged at 70.9%, similar as the KL City's average of 70.5%. However, average occupancy rate has trended downwards from 89.1% in 2014, to 81.4% in 2017, attributable to the weaker demand from the oil and gas sector, which is a key demand source in KL City.

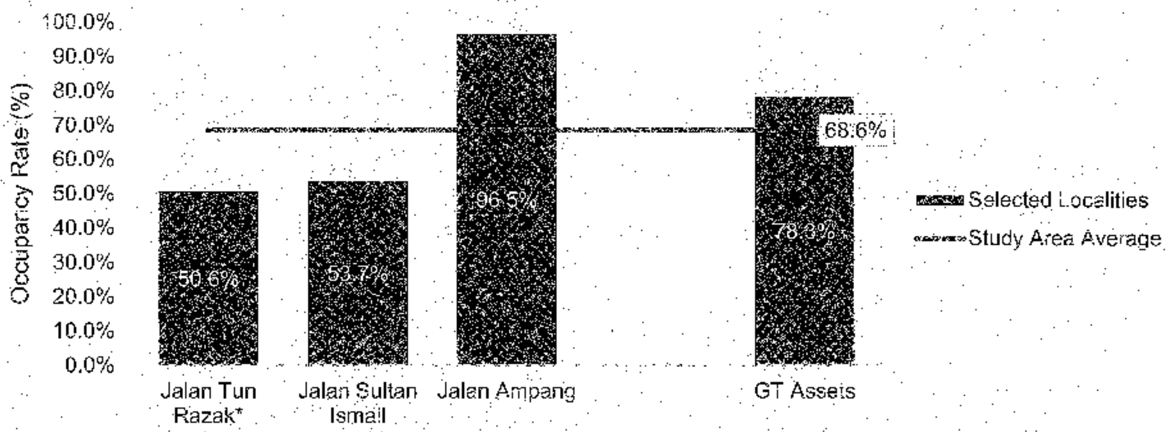
Figure 4.15: Historical Weighted Average Occupancy Rate in the Study Area (2011 – 2020)



Source: Savills Research

- Selected localities in the study area recorded average weighted occupancy rates of 68.6%. Apart from selected office spaces along Jalan Tun Razak that presently record 50.6% occupancy rates, attributed to newly completed office space from The Exchange 106, offices along Jalan Sultan Ismail recorded 53.7% weighted average occupancy rate. Offices along Jalan Ampang are predominantly owner occupied, hence recording highest weighted average occupancy rate of 96.5%.
- Of the GT Assets, weighted average occupancy rate recorded at 78.3%, which is above the study area average. As at December 2020, GTower recorded occupancy rate of around 77.2%, while Menara Tan & Tan and Hampshire Place Office recorded occupancy at approximately 69.0% and 62.2%, respectively.

Figure 4.16: Weighted Average Occupancy Rate, 2020



**Note: Occupancy rates for Jalan Tun Razak exclude GTower, Menara Tan & Tan and Hampshire Place Office.*
Low occupancy rate for office space along Jalan Tun Razak attributed to newly completed office buildings in the Tun Razak Exchange (TRX)
Source: Savills Research

- Demand of office space in the KL City has toned down in recent years, attributable to the growing competitiveness from newly completed offices in the KL Suburban area. The weaker global oil and gas market has also led towards the existing oil and gas companies strategizing their business by downsizing the operation.

C. Rental Rate Analysis

- The rental range of offices in the surrounding areas ranged between RM5.00 per sf / month to RM13.00 per sf / month in 2020. As the assets are standalone office buildings, located along Jalan Tun Razak, which is one of the main roads in the city centre, and registered concluded rents of between RM5.30 and RM6.90 psf. Based on the above attributes, traditional office developments situated along three identified main roads in the city centre (Jalan Tun Razak, Jalan Sultan Ismail or Jalan Ampang) are deemed to be competitive developments. It is further note that gross asking rents of individual buildings varies subject to building specifications.
- Office development along Jalan Tun Razak have asking rents of RM5.00 per sf /month RM8.00 per sf / month, except of the top-grade Integra Tower recorded asking rent between RM11.00 per sf / month to RM13.00 per sf / month.
- Gross asking rents for offices located along Jalan Sultan Ismail and Jalan Ampang ranged between RM6.50 per sf / month to RM 8.50 per sf / month, except for Menara Maxis asked at higher rate of RM9.50 per sf / month to RM10.00 per sf / month.

Figure 4.17 : Gross Rentals of Selected office buildings in the Surrounding Areas, 2020

Building Name	Building Age	NLA (sf)	MSC Status	Gross Asking Rent (RM psf / month)
The Assets located along Jalan Tun Razak				5.30 – 6.50 (concluded)
GTower	10	653,164*	MSC Tier 1	6.50
Hampshire Place Office	9	239,253	-	5.50
Menara Tan & Tan	23	339,385	-	5.30

Figure 4.17 : Gross Rentals of Selected office buildings in the Surrounding Areas, 2020 (Cont'd)

Building Name	Building Age	NLA (sf)	MSC Status	Gross Asking Rent (RM psf / month)
Jalan Tun Razak				**5.00 – 13.00**
Integra Tower	8	777,000	MSC Tier 1	11.00 – 13.00
Vista Tower	26	555,000	MSC Tier 1	7.50 – 8.00
The Icon	11	507,000	-	5.00 – 6.50
Menara See Hoy Chan	15	354,500	-	5.00 – 5.50
Menara Tokio Marine Life	22	223,000	-	4.00 – 4.50
TCM Tower*	-	384,000		7.50
Jalan Sultan Ismail				**7.50 – 8.50**
Menara Hap Seng 3	1	240,000	-	7.90
Equatorial Plaza	2	460,000	-	8.00 - 8.50
Menara IMC	26	344,000	-	7.00 – 8.00
Menara AIA Sentral	30*	344,000	-	7.50
Jalan Ampang				**6.50 – 10.00**
Menara Bangkok Bank	5	463,500	-	6.50
Menara Maxis	22	537,000	-	9.50 – 10.00

*Note: * NLA for GTower is based on NLA available as 31st December 2020 (excluding Level 11, 12, 13 which are under refurbishment)*
** Concluded Rent stated for the Assets refers to weighted average gross rent.*
** TCM Tower is a newly completed building in Q4 2020.*
** Menara AIA Sentral (formerly known as Menara Standard Chartered) underwent refurbishment in 2004 and have ongoing refurbishment works in 2020.*

Source: IGB Berhad, Savills Research

4.4.3. Review of Assets in Golden Triangle

4.4.3.1 Description of Assets

- There are a total of three (3) assets located in the Golden Triangle of KL city, of which two (2) are located along Jalan Tun Razak, while one (1) along Jalan Mayang Sari which is accessible from Jalan Tun Razak.

Figure 4.18 : Description of Assets in KL City (as at December 2020)

Asset Name	Menara Tan & Tan	GTower	Hampshire Place Office
Locality	Jalan Tun Razak	Jalan Tun Razak	Jalan Mayang Sari
Address	Menara Tan & Tan, No. 207, Jalan Tun Razak, 50400 Kuala Lumpur	GTower, No. 199, Jalan Tun Razak, 50400 Kuala Lumpur	Hampshire Place (Office), No. 157, Jalan Mayang Sari, Off Jalan Ampang, 50450 Kuala Lumpur
Description	A 25-storey office building including mezzanine floor together with 2 basements and 543 car park bays at basement 1, basement 2 and levels 1 to 5	A 32-storey office building together with 2 basements comprising 8 levels of parking facilities with a total of 1,090 car park bays	A 28-storey office building with 286 car park bays designated for the office building
Year of Completion	1997	2010	2011
Building Age	23 years in age	10 years in age	9 years in age
No. of floors (excluded basement)	25	32	28
Net Lettable Area *(As at December 2020)*	339,385 sf	653,164 sf[1]	239,253 sf
Floor Plate	7,685 – 19,063 sf	Approximately 32,000 sf	8,848 – 9,836 sf
No. of Lifts	11 nos.	13 nos.	6 nos.
No. of Car Parks	543 parking bays	1,090 parking bays	286 designated parking bays
MSC Status	Nil	MSC Tier 1	Nil
Green Building Certification	Nil	GreenRE (Gold)*	Nil

Note:

[1]Based on NLA available as 31st December 2020 (excluding Level 11, 12, 13 which are under refurbishment)

**GTower was accredited with BCA Greenmark (Gold), which expired in 2017. The building is presently applying for GreenRE (Gold) Certificate targeting to obtain approval by 1H 2021.*

Source: IGB Berhad

4.4.3.2 Performance Analysis (as at December 2020)

Asset Name	Menara Tan & Tan		GTower		Hampshire Place Office	
Occupancy Rate	59.0%		77.2%*		62.2%	
Top 5 Occupiers *(Based on occupied space)*	Baker Hughes Services (M) S/B	39%	Subsea 7 Asia Pacific Sdn Bhd	9%	China Bridge (Malaysia) S/B	12%
	Canadian High Commission	8%	Xevera S/B	7%	E&P O&M Services S/B	12%
	Embassy of the Federal Republic of Germany	7%	Majorel Malaysia S/B	7%	Marcus Evans (Asia Pacific) Ltd	7%
	Azman Davidson & Co	7%	Halliburton Energy Services (M) S/B	6%	Ciro Solution S/B	6%
	Embassy of the Republic of Turkey	5%	Exact Asia Development Centre S/B	6%	Superior Energy Services Malaysia S/B	6%
Occupiers Trade Sector Analysis *(Based on share over total committed space)*	Oil & Gas	41%	Information Technology & Communication	31%	Oil & Gas	25%
	Government / NGO / Association Office	32%	Oil & Gas	30%	Consultancy / Marketing / Business Services	20%
	Legal	8%	Consultancy / Marketing / Business Services	17%	Engineering & Manufacturing	16%
	Engineering & Manufacturing	5%	Flexible Space	5%	Government / NGO / Association Office	10%
	Consultancy / Marketing / Business Services	4%	Financial Services / Insurance	5%	Real Estate / Construction	8%
	Real Estate / Construction	4%	Amenities	4%	Information Technology & Communication	8%
	Café / Restaurant	3%	Café / restaurant	4%	Education Institutions	6%
	Financial Services / Insurance	2%	Retail / FMCG	2%	Café / Restaurant	6%
	Others	1%	Engineering & Manufacturing	1%	Others	1%
			Others	1%		
Type of Corporation Analysis	Multinational Companies (MNC)	47%	Multinational Companies (MNC)	63%	Small Medium Enterprises (SME)	31%
	Embassies	31%	Small Medium Enterprises (SME)	18%	Multinational Companies (MNC)	29%
	Small Medium Enterprises (SME)	17%	Flexible Space	9%	Government Linked Companies (GLC)	17%
	Public Listed Companies (PLC)	4%	IGB Group	6%	Public Listed Companies (PLC)	12%
	IGB Group	1%	Government Linked Companies (GLC)	3%	Associations / NGO	6%
			Public Listed Companies (PLC)	2%	Embassies	4%
					IGB Group	1%
Average Office Gross Rent (RM psf / month)	5.30		6.50		5.50	

Note:

*Based on NLA available as 31st December 2020 (excluding Level 11, 12, 13 which are under refurbishment)

[1]Subsea 7 Asia Pacific Sdn Bhd will be the 4th largest tenant, accounted for 6.3% upon the tenant downsizing by 1Q 2021.

Source: IGB Berhad, Savills Research

4.4.4. SWOT Analysis

A. Strength

- **Prime Address in the country.** KL City has traditionally and desirable office address by the multinational companies, especially the oil and gas and financial services sectors. Despite the decentralization trend, the KL City address still command a certain advantage as compared to the KL Suburban area.
- **Highly accessible.** The assets are highly connected via road, especially through Jalan Tun Razak that acts as one of the main arterial roads that in KL City. All the three assets are within 500-metre radius from the Ampang Park LRT station.
- **Convenience access to wide range of amenities.** KL City is bustling with commercial activities and a wide variety of facilities and amenities.
- **Freehold tenure.** The assets are built on freehold land.

B. Weakness

- **High traffic volumes during peak hour.** Jalan Tun Razak is one of the main arterial roads that is connected to major roads linking key areas. Road traffic is of high volume especially during the peak hours and rainy times, resulted in longer commuting time.
- **Aged Office developments.** The assets are aged between 10 and 25 years old and may require upgrading / refurbishment works in the future to stay competitive in the market.

C. Opportunities

- **Development interest in KL City.** Whilst the continuing development in KL City area could result in oversupply situation, it can also bring in new occupiers from the retail, office and hotel sectors which help to increase the robustness of business activities, and strengthening the economic advantage of KL City.

D. Threats

- **Large impending supply.** Competition from the new office supply in GKL with approximately 18 million sf slated for completion by 2023, and 60% is estimated to come from KL City area.
- **Decentralization trend.** The decentralization trend from the KL City area to the KL Suburban area has contributed to the high demand in the latter.
- **Emergence of new office clusters.** Offices in the KL City is expected to face stiff competition when office developments within the Tun Razak Exchange (TRX) targeted to complete in 2023. TRX is touted as the next financial district and another key office address within the KL City, continue to pressure the existing office development in the KL City especially aged building

4.5. Market Outlook of GT Assets

- The assets in Golden Triangle represents 38% of the portfolio NLA, represented in in 3 standalone buildings in the heart of the capital city. Different from the MVC assets, the proposition of the GT assets is affordable rent in prime address. Average gross rent for the assets range between RM5.30 psf to RM6.50 psf, lower than other buildings that are above RM7.00 psf. GTower and Menara Tan & Tan are also recording higher occupancy rates than the study area weighted average of 77.2% and 69.0% respectively, while Hampshire Place Office is lower at 62.2%.
- Supply wise, the incoming supply is expected to expand supply by 4.1% CAGR, higher than recent CAGR of 3.8%. However, most of these projects will compete on a different segment where rental is above RM7.00 psf.
- The GT assets have healthy lease expiry profile, with Weighted Average Lease Expiry (WALE) of approximately 1.65 years (based on occupied space). Tenancy risks are manageable given that a majority of the existing tenants has long-term relationship with the IGB management.
- Tenant's profile of the GT assets comprises Oil & Gas (32%), Information Technology and Communication (19%), followed by Consultancy, Marketing & Business Services (14%). The Oil & Gas sector is facing headwind with the volatility of oil price, and is at the higher risk spectrum compared to the other occupiers. Notably, 61% of the tenants in GT assets are large corporations consisting of Multinational companies (53%), Public Listed and Government Linked Companies (8%), which typically has larger reserve to weather through the economic uncertainty.
- With regards to the concerns of high traffic volumes during peak hour (as mentioned in Section 4.4.4), it is noted that there are three (3) proposed new stations of MRT Sungai Buloh-Serdang-Putrajaya (SSP) Line which serve the neighbourhood / localities of Jalan Tun Razak, namely Ampang Park Station, Persiaran KLCC Station and Conlay Station. The stations

are scheduled to be operational by January 2023. It is expected that the enhancement of public transportation will improve walkability in the neighbourhood and encourage more usage of public transportation which in turn is expected to alleviate the traffic congestions in the medium term.

- In regards to concerns of large impending supply, the landlord is expected to adopt a strategy to proactively manage and enhance the GT Assets. Another measure that can be undertaken would be the early engagement of expiring tenancies, which has proven itself as an effective measure, as high renewal rates have historically been secured; and in the event of non-renewal by a tenant, ample time is provided to secure new tenants.
- As the decentralisation trend persists, there will nonetheless be occupiers that will require a Kuala Lumpur address, hence there will be demand if the office buildings are rightly priced.
- Tun Razak Exchange has emerged in KL city as a new office cluster and is presently commanding asking rents of above RM8.00 psf (with reference to The Exchange 106 and Menara Prudential). We are of the opinion that there is indirect competition between GT Assets and this new office cluster. The pricing range for GT Assets are lower than those office buildings in the Tun Razak Exchange, and the former may therefore be attractive to tenants who seek an attractive location at an affordable price.
- Compared to the MVC Assets, market environment for the GT Assets is slightly more challenging amidst the impending supply and weakening demand. However, as companies are becoming more sensitive to business costs going forward, the unique proposition of affordable rent in prime city centre may cushion market impact for the GT Assets.

4.6. Market Outlook of IGB Commercial REIT

- The current pandemic has diverse implications towards business performance in different segments. Services (especially tourism, retail, and F&B) were the hardest hit, while the information technology sector may have overturned the crisis into opportunities. With most economic sectors having resumed their business operations gradually by complying with standard operating procedures since May 2020, most economic sectors have seen improvement in growth and activities, amidst the various versions of movement restrictions. With the rolling out of the National COVID-19 Immunisation Programme in phases and gradual recovery of external demand coupled by recovery of both domestic business and consumer sentiments, the country's economic condition is forecasted to recover in 2021 at a GDP projection of 6.0% to 7.5%.
- The IGB Commercial REIT's portfolio has a healthy lease expiry profile, with Weighted Average Lease Expiry (WALE) of approximately 1.84 years (based on occupied space). Approximately 58% of the tenants of IGB Commercial REIT's portfolio is made up of essential services and growth sectors. This has subsequently lowered the business risks of these companies which arose from the current pandemic.
- Earlier in Section 3.5.4, it was highlighted that the impact of pandemic towards demand of office space is minimal. Based on survey conducted by Savills KKS in May 2020, it is revealed that the propensity of remote-work arrangement could potentially lead to only a 10% reduction of office space. As such, the impact is deemed to be marginal, given that it will be negated by office design that respect social-distancing and allow for more space per employee.
- In addition, the office decentralization trend is expected to sustain, as some large corporations begin to adopt the "hub and spoke" approach at non-core office locations. The presence of more localised multi-offices will allow employees to work with the right tools and equipment closer to their homes, hence reducing commuting times. The report further suggested that there are medium-term opportunities for "Third Space" options, such as flex space or serviced offices, with flexibility of employees to work from anywhere. Notwithstanding this, the decentralisation trend could potentially improve the Occupancy Rate of MVC Assets in view of the fact that the MVC Assets are located strategically next to the Federal Highway and served by major roads such as Jalan Maarof and Jalan Bangsar.
- As the role of office space in the medium to long term continue to evolve and improve, there is opportunity for IGB Commercial REIT to leverage on its assets which are geographically diversified (KL City: 38% of total NLA; KL Suburban: 62% of total NLA).

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TAXATION ADVISER'S LETTER
ON TAXATION OF THE IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST AND UNITHOLDERS

PricewaterhouseCoopers Taxation Services Sdn Bhd
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50470 Kuala Lumpur

10 MAY 2021

The Board of Directors
IGB REIT Management Sdn Bhd
c/o IGB Bhd
Level 32, The Garden South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

MTrustee Berhad
Level 15, Menara AmFirst
No. 1, Jalan 19/3
46300 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

TAXATION OF IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT") AND UNITHOLDERS

This letter has been prepared for inclusion in the prospectus for IGB Commercial REIT in connection with the offer of units in IGB Commercial REIT and the listing of and quotation for the units on the Main Market of Bursa Malaysia Securities Berhad.

The purpose of this letter is to provide the prospective Unitholders with an overview of the Malaysian tax implication of the taxation of IGB Commercial REIT and the taxation of the Unitholders.

The taxation of income for both IGB Commercial REIT and the Unitholders are subject to the provisions of the Malaysian Income Tax Act 1967 ("the Act"). The applicable provisions are contained in Section 61 of the Act, which deals specifically with the taxation of trust bodies in Malaysia as well as guidelines issued by the tax authorities specifically on the real estate investment trusts ("REIT(s)").

TAXATION OF THE IGB COMMERCIAL REIT

IGB Commercial REIT will be regarded as resident for Malaysian tax purposes since the trustee of IGB Commercial REIT is tax resident in Malaysia.

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(1) Domestic Investments

(i) General Taxation

Subject to certain exemptions, the income of the IGB Commercial REIT consisting of rental, interest (other than interest which is exempt from tax) and other investment income derived from or accruing in Malaysia is subject to Malaysian income tax, currently at the rate of 24%. Certain allowable expenses and capital allowances can be set off against such taxable income.

The tax transparency system under Section 61A(1) of the Act exempts listed REITs like IGB Commercial REIT from income tax in a year of assessment ("YA") if IGB Commercial REIT distributes at least 90% of its total taxable income in the same YA.

If less than 90% of its total taxable income is distributed in a YA, then the tax transparency system under Section 61A(1) of the Act would not apply and the total taxable income of the IGB Commercial REIT will be subject to the current prevailing corporate tax of 24%. Income which has been taxed at IGB Commercial REIT level will have tax credits attached to it when subsequently distributed to Unitholders.

(ii) Dividends and Other Exempt Income

Dividends received by IGB Commercial REIT from Malaysian companies would be exempted from tax and the deductibility of expenses incurred against such dividend income would be disregarded. The exempt dividends received can be declared as exempt distributions to Unitholders.

Interest or profit[1] or discount income derived from the following investments is exempt from tax:

(a) Any savings certificates issued by the government of Malaysia;
(b) Securities or bonds issued or guaranteed by the government of Malaysia;
(c) Sukuk or debentures[2] issued in Ringgit Malaysia, other than convertible loan stock, approved or authorised by or lodged with the Securities Commission Malaysia;
(d) Bon Simpanan Malaysia issued by Bank Negara Malaysia;
(e) A bank licensed under the Financial Services Act 2013, an Islamic bank licensed under the Islamic Financial Services Act 2013 or a development financial institution prescribed under the Development Financial Institutions Act 2002;
(f) Bonds and securities issued by Pengurusan Danaharta Nasional Berhad; and
(g) Interest income received from a foreign source and remitted to Malaysia.

The interest income or profit[1] or discount income exempted from tax at IGB Commercial REIT's level will also be exempted from tax upon distribution to the Unitholders.

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[1] Section 2(7) of the Income Tax Act 1967, any reference to interest shall apply, mutatis mutandis, to gains or profits received and expenses incurred, in lieu of interest, in transactions conducted in accordance with the principles of Shariah.

The effect of this is that any gains or profits received and expenses incurred, in lieu of interest, in transactions conducted in accordance with the principles of Shariah, will be accorded the same tax treatment as if they were interest.

[2] Structured products approved by the Securities Commission Malaysia are deemed to be "debenture" under the Capital Markets and Services Act, 2007 and fall within the scope of exemption.

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(2) Foreign Investments

Income of IGB Commercial REIT from overseas investment is exempt from Malaysian tax by virtue of Paragraph 28 of Schedule 6 of the Act and distributions from such income will also be tax exempt in the hands of the Unitholders. Such income from foreign investments may be subject to foreign taxes or withholding taxes. Any foreign tax suffered on the income in respect of overseas investment is not tax refundable to IGB Commercial REIT in Malaysia.

The foreign income exempted from Malaysian tax at IGB Commercial REIT's level will also be exempted from tax upon distribution to the Unitholders.

(3) Tax Deductible Expenses

Since rental income of a REIT is treated as business income, expenses incurred wholly and exclusively in the production of gross rental income are allowable as tax deductions.

Similarly, capital allowance will be available on qualifying capital expenditure incurred by IGB Commercial REIT as tax deduction. However, any excess deductions or unabsorbed capital allowance cannot be carried forward as a deduction against future rental income.

(4) Real Property Gains Tax ("RPGT")

Gains on disposal of investments in Malaysia by IGB Commercial REIT is regarded as a capital gain and will not be subject to Malaysian income tax. However, where the investments represent real properties and shares in real property companies, such gain may be subject to RPGT under the Real Property Gains Tax Act, 1976.

Any gains on disposal of real properties or shares in real property companies[3] ("chargeable asset") would be subject to RPGT as follows:-

Disposal time frame	RPGT rates
Within 3 years	30%
In the 4^{th} year	20%
In the 5^{th} year	15%
In the 6^{th} year and subsequent years	10%

A chargeable gain on disposal of chargeable assets (real property) by any person to REITs / Property Trust Funds approved by the Securities Commission Malaysia is exempted from RPGT pursuant to the Real Property Gains Tax (Exemption)(No.4) Order 2003 P.U.(A) 451/2003.

3 A real property company is a controlled company which owns or acquires real property or shares in real property companies with a market value of not less than 75% of its total tangible assets. A controlled company is a company which does not have more than 50 members and is controlled by not more than 5 persons.

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(5) Sales and Service Tax ("SST")

Pursuant to the Sales Tax Act 2018 and Service Tax Act 2018, the rates for Sales Tax are nil, 5%, 10% or a specific rate whereas the rate for Service Tax is at 6%.

Sales Tax will be chargeable on taxable goods manufactured in or imported into Malaysia, unless specifically exempted by the Minister of Finance. Whereas, only specific taxable services provided by specific taxable persons will be subject to Service Tax. Sales Tax and Service Tax are single stage taxes. As such, SST incurred would generally form irrecoverable costs to the business.

Generally, IGB Commercial REIT, being a collective investment vehicle, will not be caught under the Service Tax regime.

Certain brokerage, professional, consultancy or management services obtained by IGB Commercial REIT may be subject to Service Tax at 6%. However, IGB Commercial REIT's management services and trust services are excluded from Service Tax.

Should IGB Commercial REIT acquire imported taxable services from foreign service providers, there is a need to self-impose the 6% Service Tax and remit the tax to the Royal Malaysian Customs Department in the prescribed form.

(6) Digital Service Tax

Effective 1 January 2020, service tax at 6% will be imposed on digital services provided by both local and foreign service providers. Digital services are defined as services which are delivered or subscribed over the internet or other electronic network and cannot be delivered without the use of IT and the delivery of the service is substantially automated. This could potentially result in certain service providers charging digital service tax to IGB Commercial REIT, resulting in an increase in cost.

(7) Stamp Duty on the Acquisition of Real Property

All instruments of transfer and deeds of assignment relating to the purchase of real property between IGB Commercial REIT and the disposer is exempted from stamp duty pursuant to Stamp Duty (Exemption)(No.4) Order 2004 [P.U.(A) 21/2004] and Stamp Duty (Exemption)(No.27) Order 2005 [P.U.(A) 484/2005].

TAXATION OF UNITHOLDERS

The taxation of Unitholders will depend on whether the Unitholders are Malaysian residents or non-residents.

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(1) Tax Treatment of Unitholders

The tax treatment is dependent on whether IGB Commercial REIT has distributed 90% or more of its total taxable income.

a) <u>REIT distributes less than 90% of its total taxable income</u>

Where less than 90% of the total taxable income is distributed by IGB Commercial REIT, IGB Commercial REIT is not entitled to the exemption under Section 61(A)(1) of the Act. IGB Commercial REIT would have paid taxes on the taxable income for the year. The distributions made by IGB Commercial REIT of such taxed income will have tax credits attached. The tax treatment for Unitholders would be as follows:-

- Resident individuals and other non-corporate Unitholders who are resident in Malaysia will be subject to income tax at graduated rates ranging from 1% to 30%. Individuals and other non-corporate Unitholders who are not resident in Malaysia will be subject to income tax at 30%. The tax credits attributable to the distribution of income can be utilised against the tax liabilities of these Unitholders.

- Corporate Unitholders, resident[4] and non-resident, will generally be liable to income tax at 24% on distribution of income received from IGB Commercial REIT. The tax credits attributable to the distribution of income can be utilised against the tax liabilities of these Unitholders.

- No further taxes or withholding taxes would be applicable to non-resident individuals or companies. Non-resident Unitholders may also be subject to tax in their respective jurisdictions and depending on the provisions of the relevant tax legislation and any double tax treaty with Malaysia, the Malaysian tax suffered may be creditable in the foreign tax jurisdictions.

The distribution of exempt income and gains arising from the disposal of investments by IGB Commercial REIT will be exempted from tax when distributed to the Unitholders.

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[4] Pursuant to the Finance Act 2019 (Act 823), resident companies with paid up capital in respect of ordinary shares of RM2.5 million and below and having an annual sales of not more than RM50 million will pay tax at 17% for the first RM600,000 of chargeable income with the balance taxed at 24% with effect from year of assessment 2020.

The above shall not apply if more than -

a) 50% of the paid up capital in respect of ordinary shares of the company is directly or indirectly owned by a related company;
b) 50% of the paid up capital in respect of ordinary shares of the related company is directly or indirectly owned by the first mentioned company;
c) 50% of the paid up capital in respect of ordinary shares of the first mentioned company and the related company is directly or indirectly owned by another company.

"Related company" means a company which has a paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of the basis period for a YA.

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b) REIT distributes more than 90% of its total taxable income

Where more than 90% of IGB Commercial REIT's total taxable income is distributed by IGB Commercial REIT, distributions to Unitholders will be subject to tax based on a withholding tax mechanism at the following rates:-

Unitholders	Withholding tax rate
Resident and non-resident individuals & all other non-corporate unitholders such as foreign institutional unitholders[5]	10%[6]
Non-resident company	24%
Resident company	0%

The withholding tax is a final tax and resident individuals and non-corporate Unitholders will not be required to declare the income received from IGB Commercial REIT in their Malaysian tax returns.

No withholding tax is applicable on distributions to resident companies. Resident companies are required to report the distributions from REIT's in their normal corporate tax returns and declare the taxable REIT distributions to tax at the normal corporate rate, currently at 24%.

The distribution of exempt income and gains arising from the disposal of investments by IGB Commercial REIT will be exempted from tax when distributed to the Unitholders.

(2) Disposals by Unitholders

Malaysia does not impose tax on capital gains. Therefore, any gains realised by Unitholders (including individuals and companies) on the sale or redemption of the Units which are considered as capital in nature will not be subject to income tax. Hence, if a Unitholder (including individuals and companies) has held the Units for long-term investment purposes, any gains arising from the disposal of their investments should be considered as capital gain and not subject to Malaysian income tax.

However, if the Units have been held as trading assets of a trade or business carried in Malaysia, the gain arising from the sale of these Units will be seen as part of business income and subject to normal income tax. Dealers in securities, insurance companies or financial institutions will normally be subject to income tax since such gain will be seen to be part of their business income. Foreign dealers and financial institutions with no business presence or permanent establishment in Malaysia will not be subject to Malaysian income tax. Such gains may still be subject to tax in each foreign unitholders' respective home jurisdictions.

This tax treatment is applicable to both gains received in the form of cash or residual distribution in the event of the winding up of IGB Commercial REIT.

[5] Institutional unitholder means a pension fund, collective investment scheme or such other person approved by the Minister of Finance.

[6] This reduced rate of withholding tax is with effect from 1 January 2009 to 31 December 2025.

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(3) Unit Splits and Reinvestment of Distributions

In the event IGB Commercial REIT is permitted to distribute income in the form of new Units and Unitholders electing to receive their income distribution by way of investment in the form of new Units, Unitholders will be regarded as having purchased the new Units out of their income distribution after tax.

Unit splits issued by IGB Commercial REIT are not taxable in the hands of the Unitholders.

(4) Stamp Duty on Purchase and Transfer and of Units

The purchase and transfer of Units in a Malaysian REIT which is approved by the Securities Commission Malaysia are exempted from Stamp duty pursuant to Item 32 Exemption Paragraph (c), First Schedule of the Stamp Act, 1949.

We hereby confirm that the statements made in this report correctly reflect our understanding of the tax position under current Malaysian tax legislation and the interpretations thereof. Our comments above are general in nature and cover taxation in the context of Malaysian tax legislation only and do not cover foreign tax legislation. The comments do not represent specific tax advice to any investors and we recommend that investors obtain independent advice on the tax issues associated with their investments in IGB Commercial REIT.

Yours faithfully,
for and on behalf of
PRICEWATERHOUSECOOPERS TAXATION SERVICES SDN BHD

Jennifer Chang
Partner

PricewaterhouseCoopers Taxation Services Sdn Bhd have given their written consent to the inclusion of their report as taxation adviser in the form and context in which it appears in this Prospectus and have not, before the date of issue of this Prospectus, withdrawn such consent.

pwc

The Board of Directors
IGB REIT Management Sdn. Bhd.
Level 32, The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

10 MAY 2021

PwC/EMG/GWF/EC/KWY/2021

Dear Sirs,

Report on the Compilation of Pro Forma Consolidated Statement of Financial Position

1 We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statement of Financial Position of IGB Commercial Real Estate Investment Trust and its subsidiary (the "Group") as at the date of establishment of 31 March 2021 (the "Pro Forma Consolidated Statement of Financial Position"). The Pro Forma Consolidated Statement of Financial Position which we have stamped for the purpose of identification, has been compiled by the Directors of IGB REIT Management Sdn. Bhd., the management company of the Group (the "Directors") for inclusion in the prospectus in connection with the establishment and proposed listing of IGB Commercial Real Estate Investment Trust on the Main Market of Bursa Malaysia Securities Berhad (the "Proposal").

2 The basis of which the Directors have compiled the Pro Forma Consolidated Statement of Financial Position are described in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and are specified in Chapter 12 of Part III Content of Prospectus for Listed Funds of the Prospectus Guidelines for Collective Investment Schemes issued by the Securities Commission Malaysia ("SC") ("Prospectus Guidelines").

The Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position

3 The Pro Forma Consolidated Statement of Financial Position has been compiled by the Directors, for illustrative purposes only, to show the effects of the Proposal as set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position on the Group's statement of financial position as at the date of establishment on 31 March 2021 had the Proposal been effected on that date.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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The Board of Directors
IGB REIT Management Sdn. Bhd.
PwC/EMG/GWF/EC/KWY/2021
10 MAY 2021

The Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position (continued)

4 The Directors are responsible for compiling the Pro Forma Consolidated Statement of Financial Position on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position, in accordance with the requirements of the Prospectus Guidelines and the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

Our Independence and Quality Control

5 We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

6 Our firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

7 Our responsibility is to express an opinion, as required by the Prospectus Guidelines, on whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, by the Directors on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

8 We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 *"Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus"*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statement of Financial Position on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

9 For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statement of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

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The Board of Directors
IGB REIT Management Sdn. Bhd.
PwC/EMG/GWF/EC/KWY/2021

10 MAY 2021

Our Responsibilities (continued)

10 The purpose of the Pro Forma Consolidated Statement of Financial Position included in the Prospectus is solely to illustrate the impact of the Proposal on unadjusted financial information of the Group as if the Proposal had been undertaken as at the date of establishment for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposal at that date would have been as presented.

11 A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statement of Financial Position has been compiled in all material respects, on the basis of the applicable criteria, involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Statement of Financial Position provides a reasonable basis for presenting the significant effects directly attributable to the Proposal, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statement of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

12 The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the Proposal in respect of which the Pro Forma Consolidated Statement of Financial Position has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statement of Financial Position.

13 We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our Opinion

14 In our opinion, the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

The Board of Directors
IGB REIT Management Sdn. Bhd.
PwC/EMG/GWF/EC/KWY/2021
10 MAY 2021

Other Matter

15 This report is issued for the sole purpose of inclusion in the Prospectus in connection with the Proposal and should not be used or relied upon for any other purpose. Accordingly, we will not accept any liability or responsibility to any other party to whom our report is shown or into whose hands it may come.

Yours faithfully,

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

GAN WEE FONG
03253/01/2023 J
Chartered Accountant

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY AS AT ITS DATE OF ESTABLISHMENT AND THE NOTES THEREON

Upon its initial establishment, IGB Commercial REIT does not have any assets and liabilities. The following table presents the Pro Forma Consolidated Statement of Financial Position of IGB Commercial REIT and its subsidiary ("the Group"), prepared for illustrative purposes only, to show the effects on the financial position of the Group on its date of establishment of 31 March 2021 had the listing scheme described in Note 3 been effected on that date and should be read in conjunction with the accompanying notes thereon.

		Adjustment	As at 31 March 2021
	Note	**Acquisitions**	**Pro Forma After Adjustment**
		RM'000	**RM'000**
Non-current assets			
Investment properties	5	3,160,500	3,160,500
Current assets			
Cash and bank balances	6	74,220	74,220
TOTAL ASSETS		**3,234,720**	**3,234,720**
Financed by:			
Unitholders' fund			
Unitholders' capital (1)	7	2,301,850	2,301,850
Non-current liabilities			
Borrowings	8	847,720	847,720
Current liabilities			
Borrowings	8	3,200	3,200
Other payables	9	81,950	81,950
		85,150	85,150
TOTAL UNITHOLDERS' FUNDS AND LIABILITIES		**3,234,720**	**3,234,720**
Net asset value ("NAV") (RM'000) (2)			2,301,850
No. of units in issue ('000)			2,307,300
NAV per unit (RM) (3)			1.00

Notes:

(1) Unitholders' funds of approximately RM2,307.3 million, net of estimated expenses in relation to the issue of Units of approximately RM5.45 million.

(2) NAV represents the value of the Group's assets less all liabilities.

(3) NAV per unit is computed based on NAV divided by the number of Units issued by IGB Commercial REIT.

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY AS AT ITS DATE OF ESTABLISHMENT AND THE NOTES THEREON

1. INTRODUCTION

The Pro Forma Consolidated Statement of Financial Position of the Group has been prepared by the Directors of IGB REIT Management Sdn Bhd (the "Manager") in accordance with Chapter 12 of Part III: Content of Prospectus for Listed Funds of the Prospectus Guidelines for Collective Investment Schemes issued by the Securities Commission Malaysia ("SC") ("Prospectus Guidelines") and the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information, for the purpose of inclusion in the Prospectus in connection with the establishment and listing of IGB Commercial REIT on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (the "Proposal") which encompass the listing scheme as described in Note 3 below.

The Pro Forma Consolidated Statement of Financial Position of the Group has been prepared for illustrative purpose only, to show the effects on the consolidated statement of financial position on its date of establishment, had the listing scheme as set out in Note 3 been effected on that date.

As the Pro Forma Consolidated Statement of Financial Position of the Group has been prepared for illustrative purposes only, such information, because of its nature, does not give a true picture of the effects of the Listing Scheme on the financial position of the Group presented had the Listing Scheme occurred on that date. Further, such information does not purport to predict the Group's future financial position.

2. SUMMARY OF ACCOUNTING POLICIES

The Pro Forma Consolidated Statement of Financial Position of the Group has been prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the financial statements and the accounting policies to be adopted by the Group.

The summary of accounting policies to be adopted by the Group are based on the standards, amendments, improvement to published standards and interpretations that are effective and are applicable to the Group for the financial year beginning on 1 January 2020. The summary of accounting policies to be adopted by the Group are set out in Section 4.4.4 of the Prospectus.

PRICEWATERHOUSECOOPERS PLT
KUALA LUMPUR
for identification only
Chartered Accountants

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY AS AT ITS DATE OF ESTABLISHMENT AND THE NOTES THEREON

3. LISTING SCHEME

The listing scheme comprises the following:

3.1. Proposed Acquisitions of Subject Properties by IGB Commercial REIT

The portfolio of commercial properties to be acquired and held by IGB Commercial REIT comprises 10 Subject Properties (as defined herein), the identification of which, together with its Vendors (as defined herein) are set out as follows:

No.	Subject Properties	Vendors
1.	Menara IGB & IGB Annexe, Mid Valley City	IGB Properties Sdn Bhd*
2.	Centrepoint South, Mid Valley City	MVC Centrepoint South Sdn Bhd*
3.	Centrepoint North, Mid Valley City	MVC Centrepoint North Sdn Bhd*
4.	Boulevard Properties, Mid Valley City	Idaman Spektra Sdn Bhd*
5.	Gardens South Tower, Mid Valley City	Mid Valley City South Tower Sdn Bhd*
6.	Gardens North Tower, Mid Valley City	Mid Valley City North Tower Sdn Bhd*
7.	Southpoint Properties, Mid Valley City	Mid Valley City Southpoint Sdn Bhd*
8.	Menara Tan & Tan, Jalan Tun Razak	Tan & Tan Realty Sdn Bhd**
9.	GTower, Jalan Tun Razak	GTower Sdn Bhd**
10.	Hampshire Place Office, Jalan Mayang Sari	Hampshire Properties Sdn Bhd***

* wholly-owned subsidiaries of IGB Berhad
** 80%-owned subsidiaries of IGB Berhad
*** 50%-owned joint venture of IGB Berhad

MTrustee Berhad (the "Trustee"), on behalf of IGB Commercial REIT, entered into the Sales and Purchase Agreements on 9 April 2021 and the Supplemental Letters on 5 May 2021 with the Vendors ("SPAs and the Supplemental Letters") for the acquisitions of the Subject Properties for a total purchase consideration of RM3,160.5 million to be satisfied by:

(i) issuance of 2,307.3 million new units in IGB Commercial REIT ("**Units**") to the Vendors ("**Consideration Units**") at the issue price of RM1.00 per Unit; and

(ii) cash consideration of RM853.2 million of which RM850.0 million will be funded from the issuance of medium term notes (**"MTN(s)"**) under a MTN programme to be established by a special purpose vehicle which shall be wholly-owned by IGB Commercial REIT via its Trustee and the remaining RM3.2 million will be funded from Short Term Financing obtained by IGB Commercial REIT.

(the "**Proposed Acquisition**")

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Chartered Accountants

3. **LISTING SCHEME** (continued)

3.1. **Proposed Acquisition of Subject Properties by IGB Commercial REIT** (continued)

The fair value of the Consideration Units is estimated at approximately RM2,307.3 million (based on the illustrative value of RM1.00 per Unit).

The purchase consideration for the Subject Properties was arrived at on a willing-buyer willing-seller basis based on the market value as at 31 December 2020 of the Subject Properties as appraised by the Independent Property Valuer, Henry Butcher Malaysia Sdn. Bhd. in its updated valuation letters dated 10 February 2021. The valuations of the Subject Properties were carried out using the investment method.

As part of the Proposed Acquisition, IGB Commercial REIT will also assume certain liabilities being the tenant deposits payable and rental received in advance and the corresponding cash equivalents of these balances. For purposes of the Pro Forma Consolidated Statement of Financial Position of the Group, these amounts are illustrated based on the carrying amounts of the tenants' deposits payable and rental received in advance as at 31 December 2020.

In order to facilitate the Proposed Offering, the respective Vendors will nominate IGB Berhad and the respective shareholders of Tan & Tan Realty Sdn Bhd, GTower Sdn Bhd and Hampshire Properties Sdn Bhd to receive the Consideration Units.

3.2. **Proposed Offering**

Following the Proposed Acquisitions, IGB Berhad will undertake the following:

(i) restricted offering of up to approximately 945.0 million Units by IGB Berhad, comprising the following:

   (a) restricted offer for sale of up to approximately 378.0 million Units ("**ROFS Units**") to the shareholders of IGB Berhad whose name appear in the Record of Depositors as at the close of business on the entitlement date ("**Entitled Shareholders**") at RM1.00 ("**Proposed ROFS**"); and

   (b) distribution-in-specie of up to approximately 567.0 million Units ("DIS Units") to be distributed only to the Entitled Shareholders who successfully subscribe for the ROFS Units on the basis of 3 DIS Units for every 2 ROFS Units subscribed ("**Proposed DIS**"); and

(ii) offering of at least 282.0 million Units to institutional investors and selected investors comprising the following ("**Proposed Institutional Offering**"):

   (a) 282.0 million Units by certain shareholders of IGB Berhad who will undertake to offer for sale; and

   (b) All ROFS Units not subscribed or successfully subscribed by the Entitled Shareholders together with its corresponding DIS Units.

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY AS AT ITS DATE OF ESTABLISHMENT AND THE NOTES THEREON

3. LISTING SCHEME (continued)

3.2. Proposed Offering (continued)

The Proposed ROFS is not renounceable. The Entitled Shareholders can only subscribe for their entitlements under the Proposed ROFS in full or in part.

Any unsubscribed ROFS Units and the corresponding DIS Units will be made available for subscription by institutional investors and selected investors under the Proposed Institutional Offering.

For the avoidance of doubt, the Entitled Shareholders who do not subscribe for their entitlements to the ROFS Units ("Non-Subscribing Shareholders") will not be entitled to the corresponding DIS Units. However, these Non-Subscribing Shareholders will receive the cash raised from the subscription by institutional investors and selected investors under the Proposed Institutional Offering after netting off the cash due to IGB Berhad (which is, unsubscribed ROFS Units multiplied by the ROFS Price) and all transactional costs, applicable taxation, placement and/or book building fees and other costs/fees payable in conjunction with the Proposed Institutional Offering. It is assumed that the Proposed Institutional Offering Units will be issued at RM1.00 per Unit.

The Proposed Offering will not have any impact on the Pro Forma Consolidated Statement of Financial Position.

3.3. Proposed Listing

In conjunction with the Proposed Offering, IGB Commercial REIT will seek admission to the Official List for listing of and quotation for the entire 2,307.3 million Units on the Main Market of Bursa Malaysia Securities Berhad.

3.4. Inter-conditionality

The Proposed Acquisition, Proposed Offering and Proposed Listing are inter-conditional upon each other.

4. EFFECTS ON PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The date of establishment of IGB Commercial REIT is 31 March 2021.

For illustrative purposes,

(i) the estimated expenses in relation to the Proposal of RM5.45 million that are directly attributable to the issuance of units are recognised in equity; and

(ii) the estimated transaction cost of RM2.3 million attributable to the medium term notes is debited against the carrying value of the borrowings.

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY AS AT ITS DATE OF ESTABLISHMENT AND THE NOTES THEREON

4. EFFECTS ON PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

The total estimated expenses in relation to the Proposal and the estimated transaction cost of the medium term notes are settled via proceeds from the internally generated funds of IGB Commercial REIT from the Subject Properties.

5. INVESTMENT PROPERTIES

For the purposes of the Pro Forma Consolidated Statement of Financial Position, the Manager has assumed that the value of the Subject Properties at the date of establishment remain at the amount at which they were valued at 31 December 2020.

6. CASH AND BANK BALANCES

	RM'000
Cash equivalent amount received from the Vendors (Note 9)	81,950
Estimated expenses in relation to the issuance of Units (Note 4(i))	(5,450)
Drawdown of revolving credit (Note 8)	3,200
Drawdown of medium term note (Note 8)	850,000
Estimated transaction costs in relation to borrowings (Note 4(ii))	(2,280)
Payment to Vendors for Subject Properties (Note 3.1)	(853,200)
Cash and bank balances	**74,220**

7. UNITHOLDERS' CAPITAL

	Units ('000)
Units issued as Consideration Units	2,307,300

	RM'000
Units issued based on illustrative value of RM1.00 per Unit	2,307,300
Estimated expenses in relation to the issuance of Units (Note 4(i))	(5,450)
Unitholders' Capital	**2,301,850**

PRICEWATERHOUSECOOPERS PLT
KUALA LUMPUR
for identification only
Chartered Accountants

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY AS AT ITS DATE OF ESTABLISHMENT AND THE NOTES THEREON

8. BORROWINGS

	RM'000
Non-Current	
Medium term note	850,000
Estimated transaction costs (Note 4(ii))	(2,280)
	847,720
Current	
Revolving credit	3,200
	850,920

To part finance the Proposed Acquisitions, IGB Commercial REIT will obtain the proceeds from the issuance of the medium term notes under the MTN Programme. The Manager has assumed an issuance of RM850.0 million from the MTN Programme and drawdown of RM3.2 million from the Short Term Financing as described in Section 3.9 "REIT Financing" of the Prospectus. The MTN is recognised net of estimated transaction costs of RM2.3 million. The tenure of the MTN is assumed to be 7 years and no amount is due within the next 12 months.

9. OTHER PAYABLES

	RM'000
Tenants' deposits	75,649
Advance rental received	6,301
	81,950

Approved on behalf of the Board of Directors of IGB REIT Management Sdn. Bhd. in accordance with a resolution of the Board of Directors.

PRICEWATERHOUSECOOPERS PLT
KUALA LUMPUR
for identification only
Chartered Accountants

Chai Lai Sim
Group Chief Financial Officer

REPORTING ACCOUNTANTS' LETTER ON THE PROFIT FORECAST

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The Board of Directors
IGB REIT Management Sdn. Bhd.
Level 32, The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

10 MAY 2021

PwC/EMG/GWF/EC/KWY/2021

Dear Sirs,

Report on Prospective Financial Information for the financial period from 31 March 2021 to 31 December 2021

1 We have examined the profit projection of IGB Commercial Real Estate Investment Trust and its subsidiary (the "Group") for the financial period from 31 March 2021 to 31 December 2021 (the "Prospective Financial Information") as set out in the Appendix (which we have stamped for the purpose of identification) in accordance with the approved standard for assurance engagements in Malaysia, ISAE 3400 " The Examination of Prospective Financial Information " issued by the Malaysian Institute of Accountants.

The Directors' Responsibility for the Prospective Financial Information

2 The Prospective Financial Information has been prepared by the Directors of IGB REIT Management Sdn. Bhd., the management company of the Group (the "Directors") for inclusion in the prospectus in connection with the establishment and proposed listing of IGB Commercial REIT on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (the "Proposal"). The Directors are solely responsible for the preparation and presentation of the projection and the assumptions on which the Prospective Financial Information is based as set out in the Appendix on a basis consistent with the format of financial statements and accounting policies to be adopted by the Group and the requirements of the Prospectus Guidelines for Collective Investment Schemes issued by the Securities Commission Malaysia (the "Prospectus Guidelines").

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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The Board of Directors
IGB REIT Management Sdn. Bhd.
PwC/EMG/GWF/EC/KWY/2021
10 MAY 2021

Our Responsibilities

3 Our examination has been undertaken to enable us to form an opinion as to whether the Prospective Financial Information, in all material respects, are properly prepared on the basis of the assumptions made by the Directors as set out in the Appendix and are presented on a basis consistent with the format of financial statements and accounting policies to be adopted by the Group and the requirements of the Prospectus Guidelines.

4 Projections, in this context, means prospective financial information prepared using a set of assumptions that include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Actual results are likely to be different from the Prospective Financial Information since anticipated events frequently do not occur as expected and the variation could be material. Consequently, we express no opinion on the validity of the assumptions on which the projection is based or on how closely the results actually achieved will compare with the projection. Likewise, when the Prospective Financial Information is expressed as a range, it would be stated that there can be no assurance that actual results will fall within the range. Readers are cautioned that the Prospective Financial Information should not be used for purposes other than that described in paragraph 2 above.

5 Projections are subject to significant economic, competitive and other uncertainties beyond the control of the Group, and therefore should not be relied upon as showing financial outcomes that are likely to occur in practice.

Our Independence and Quality Control

6 We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

7 Our firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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The Board of Directors
IGB REIT Management Sdn. Bhd.
PwC/EMG/GWF/EC/KWY/2021

10 MAY 2021

Opinion

8 Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that the assumptions made by the Directors do not provide a reasonable basis for the Prospective Financial Information. Further, in our opinion, the Prospective Financial Information is properly prepared, in all material aspects, on the basis of the calculations and assumptions made by the Directors as set out in the Appendix and in a manner consistent with both the format of the financial statements and the accounting policies to be adopted by the Group and the requirements of the Prospectus Guidelines.

9 Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the Prospective Financial Information since other anticipated events frequently do not occur as expected and the variation may be material. Further, we emphasise that the Prospective Financial Information is not intended to, and does not, provide all the information and disclosures necessary to give a fair presentation in accordance with Malaysian Financial Reporting Standards.

Emphasis of matter

10 We draw your attention to Note 4(i) of the assumptions set out in the accompanying Appendix which states that the Directors assume that there will be no material fluctuation on the fair value of the Subject Properties during the profit projection period for the financial period from 31 March 2021 to 31 December 2021. Our opinion is not qualified in respect of this matter.

Other matter

11 This report is issued for the sole purpose of inclusion in the Prospectus in connection with the Proposal and should not be used or relied upon for any other purpose. Accordingly, we will not accept any liability or responsibility to any other party to whom our report is shown or into whose hands it may come.

Yours faithfully,

PRICEWATERHOUSECOOPERS PLT	GAN WEE FONG
LLP0014401-LCA & AF 1146	03253/01/2023 J
Chartered Accountants	Chartered Accountant

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PROFIT FORECAST OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY FOR THE FINANCIAL PERIOD 9 MONTHS ENDING 31 DECEMBER 2021 AND THE NOTES THEREON

The Directors of IGB REIT Management Sdn. Bhd. ("**Manager**"), being the management company of IGB Commercial REIT, have prepared a forecast of the consolidated statement of comprehensive income for the financial period from 31 March 2021 (the date of establishment of IGB Commercial REIT) to 31 December 2021 ("**Forecast Period 2021**") of IGB Commercial REIT and its subsidiary ("the Group") ("**Profit Forecast**"), based on the assumptions disclosed in Note 4 of the forecast as follows:

Profit Forecast

	Forecast Period 2021$^{(1)}$
	RM'000
Gross rental income	94,076
Revenue from contracts with customers	50,392
Total Revenue	**144,468**
Assessment and quit rent	(10,632)
Utilities expenses	(16,233)
Maintenance expenses	(16,923)
Reimbursement costs and other property operating expenses	(8,867)
Property Operating Expenses	**(52,655)**
Net property income	**91,813**
Changes in fair value on investment properties	-
Net investment income	**91,813**
Management Fees	(11,702)
Trustee's fee	(518)
Other trust expenses	(1,125)
Finance costs	(22,814)
Profit before taxation	**55,654**
Taxation	-
Profit after taxation	**55,654**
Add: Non-cash items $^{(2)}$	11,873
Distributable Income	**67,527**
Number of Units in issue (in million)	2,307.3
Distribution rate	100.0%
Distribution cover (times)	1.00
Distribution per Unit (sen) $^{(3)}$	3.90
Restricted Offer For Sale ("ROFS") Price (RM/Unit)	1.00
Distribution Yield on ROFS Price $^{(3)}$	3.90%

Notes:

(1) The financial period commencing from 31 March 2021 and ending on 31 December 2021.

(2) Non-cash items comprise the Management Fees payable in Units and amortisation of capitalised finance costs.

(3) Distribution for the Forecast Period 2021 has been annualised.

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PROFIT FORECAST OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY FOR THE FINANCIAL PERIOD 9 MONTHS ENDING 31 DECEMBER 2021 AND THE NOTES THEREON

1. INTRODUCTION

The Profit Forecast has been prepared for the purpose of inclusion in the Prospectus in connection with the establishment and proposed listing of IGB Commercial REIT on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (the "Proposal") which encompasses the listing scheme as described in Note 3 below.

2. SUMMARY OF PROPOSED ACCOUNTING POLICIES

The Profit Forecast has been prepared for illustrative purposes in accordance with the Malaysian Financial Reporting Standards ("MFRS") and the International Financial Reporting Standards ("IFRS") and in a manner consistent with both the format of the financial statements and the accounting policies to be adopted by the Group.

The summary of accounting policies to be adopted by the Group are based on the standards, amendments, improvement to published standards and interpretations that are effective and are applicable to the Group for the financial year beginning on 1 January 2020. The summary of accounting policies to be adopted by the Group are set out in Section 4.4.4 of the Prospectus.

3. LISTING SCHEME

The listing scheme comprises the following:

3.1. Proposed Acquisition of Subject Properties by IGB Commercial REIT

The portfolio of commercial properties to be acquired and held by IGB Commercial REIT comprises 10 Subject Properties (as defined herein), the identification of which, together with its Vendors (as defined herein) are set out as follows:

No.	Subject Properties	Vendors
1.	Menara IGB & IGB Annexe, Mid Valley City	IGB Properties Sdn Bhd*
2.	Centrepoint South, Mid Valley City	MVC Centrepoint South Sdn Bhd*
3.	Centrepoint North, Mid Valley City	MVC Centrepoint North Sdn Bhd*
4.	Boulevard Properties, Mid Valley City	Idaman Spektra Sdn Bhd*
5.	Gardens South Tower, Mid Valley City	Mid Valley City South Tower Sdn Bhd*
6.	Gardens North Tower, Mid Valley City	Mid Valley City North Tower Sdn Bhd*
7.	Southpoint Properties, Mid Valley City	Mid Valley City Southpoint Sdn Bhd*
8.	Menara Tan & Tan, Jalan Tun Razak	Tan & Tan Realty Sdn Bhd**
9.	GTower, Jalan Tun Razak	GTower Sdn Bhd**
10.	Hampshire Place Office, Jalan Mayang Sari	Hampshire Properties Sdn Bhd***

* wholly-owned subsidiaries of IGB Berhad
** 80%-owned subsidiaries of IGB Berhad
*** 50%-owned joint venture of IGB Berhad

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KUALA LUMPUR
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Chartered Accountants

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PROFIT FORECAST OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY FOR THE FINANCIAL PERIOD 9 MONTHS ENDING 31 DECEMBER 2021 AND THE NOTES THEREON

3. LISTING SCHEME (continued)

3.1. Proposed Acquisitions of Subject Properties by IGB Commercial REIT (continued)

MTrustee Berhad (the "Trustee"), on behalf of IGB Commercial REIT, entered into the Sales and Purchase Agreements on 9 April 2021 and the Supplemental Letters on 5 May 2021 with the Vendors ("SPAs and the Supplemental Letters") for the acquisitions of the Subject Properties for a total purchase consideration of RM3,160.5 million to be satisfied by:

(i) issuance of 2,307.3 million new units in IGB Commercial REIT ("**Units**") to the Vendors ("**Consideration Units**") at the issue price of RM1.00 per Unit; and

(ii) cash consideration of RM853.2 million of which RM850.0 million will be funded from the issuance of medium term notes (**"MTN(s)"**) under a MTN programme to be established by a special purpose vehicle which shall be wholly-owned by IGB Commercial REIT via its Trustee and the remaining RM3.2 million will be funded from Short Term Financing obtained by IGB Commercial REIT.

(the "**Proposed Acquisitions**")

The fair value of the Consideration Units is estimated at approximately RM2,307.3 million (based on the illustrative value of RM1.00 per Unit).

The purchase consideration for the Subject Properties was arrived at on a willing-buyer willing-seller basis based on the market value as at 31 December 2020 of the Subject Properties as appraised by the Independent Property Valuer, Henry Butcher Malaysia Sdn. Bhd. in its updated valuation letters dated 10 February 2021. The valuations of the Subject Properties were carried out using the investment method.

As part of the Proposed Acquisitions, IGB Commercial REIT will also assume certain liabilities being the tenant deposits payable and rental received in advance and the corresponding cash equivalents of these balances based on the respective Vendors' carrying amounts as at 31 December 2020.

In order to facilitate the Proposed Offering, the respective Vendors will nominate IGB Berhad and the respective shareholders of Tan & Tan Realty Sdn Bhd, GTower Sdn Bhd and Hampshire Properties Sdn Bhd to receive the Consideration Units.

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3. LISTING SCHEME (continued)

3.2. Proposed Offering

Following the Proposed Acquisitions, IGB Berhad will undertake the following:

(i) restricted offering of up to approximately 945.0 million Units by IGB Berhad, comprising the following:

  (a) restricted offer for sale of up to approximately 378.0 million Units ("**ROFS Units**") to the shareholders of IGB Berhad whose name appear in the Record of Depositors as at the close of business on the entitlement date ("**Entitled Shareholders**") at RM1.00 ("**Proposed ROFS**"); and

  (b) distribution-in-specie of up to approximately 567.0 million Units ("DIS Units") to be distributed only to the Entitled Shareholders who successfully subscribe for the ROFS Units on the basis of 3 DIS Units for every 2 ROFS Units subscribed ("**Proposed DIS**"); and

(ii) offering of at least 282.0 million Units to institutional investors and selected investors comprising the following ("**Proposed Institutional Offering**"):

  (a) 282.0 million Units by certain shareholders of IGB Berhad who will undertake to offer for sale; and

  (b) All ROFS Units not subscribed or successfully subscribed by the Entitled Shareholders together with its corresponding DIS Units.

The Proposed ROFS is not renounceable. The Entitled Shareholders can only subscribe for their entitlements under the Proposed ROFS in full or in part.

Any unsubscribed ROFS Units and the corresponding DIS Units will be made available for subscription by institutional investors and selected investors under the Proposed Institutional Offering.

For the avoidance of doubt, the Entitled Shareholders who do not subscribe for their entitlements to the ROFS Units ("Non-Subscribing Shareholders") will not be entitled to the corresponding DIS Units. However, these Non-Subscribing Shareholders will receive the cash raised from the subscription by institutional investors and selected investors under the Proposed Institutional Offering after netting off the cash due to IGB Berhad (which is, unsubscribed ROFS Units multiplied by the ROFS Price) and all transactional costs, applicable taxation, placement and/or book building fees and other costs/fees payable in conjunction with the Proposed Institutional Offering. It is assumed that the Proposed Institutional Offering Units will be issued at RM1.00 per Unit.

The Proposed Offering will not have any impact on the Profit Forecast.

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IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PROFIT FORECAST OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY FOR THE FINANCIAL PERIOD 9 MONTHS ENDING 31 DECEMBER 2021 AND THE NOTES THEREON

3. LISTING SCHEME (continued)

3.3. Proposed Listing

In conjunction with the Proposed Offering, IGB Commercial REIT proposes to seek admission to the Official List and listing of and quotation for the entire 2,307.3 million Units on the Main Market of Bursa Malaysia Securities Berhad.

3.4. Inter-conditionality

The Proposed Acquisitions, Proposed Offering and Proposed Listing are inter-conditional upon each other.

4. BASES AND ASSUMPTIONS

The Directors of the Manager have prepared the Profit Forecast of IGB Commercial REIT based on the requirements of the Prospectus Guidelines for Collective Investment Schemes issued by the Securities Commission Malaysia and based on the following bases and assumptions, for which the Directors are solely responsible:

Assumptions specific to IGB Commercial REIT

(a) The Profit Forecast has been prepared for illustrative purposes assuming that the Listing Scheme will be completed by 31 March 2021.

(b) Total Revenue

For the Forecast Period 2021, the Manager's forecast Total Revenue is approximately RM144.5 million. Total Revenue consists of gross rental income and revenue from contracts with customers (both as defined herein).

	Forecast Period 2021
	(RM'000)
Gross rental income	94,076
Revenue from contracts with customers:	
- Service charges	41,556
- Car park income	4,175
- Utilities recoverable and other income	4,661
Total Revenue	**144,468**

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IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PROFIT FORECAST OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY FOR THE FINANCIAL PERIOD 9 MONTHS ENDING 31 DECEMBER 2021 AND THE NOTES THEREON

4. BASES AND ASSUMPTIONS (continued)

Assumptions specific to IGB Commercial REIT (continued)

(b) Total Revenue (continued)

(i) Gross rental income

Gross rental income consists of base rent net of rent rebates.

For the Forecast Period 2021, the estimated gross rental income to be contributed by the Subject Properties is approximately RM94.1 million, details of which are as set out below:

	Gross Rental Income
	Forecast Period 2021
Subject Properties	**(RM'000)**
Menara IGB & IGB Annexe	5,186
Centrepoint South	6,845
Centrepoint North	7,022
Boulevard Properties	1,851
Gardens South Tower	14,662
Gardens North Tower	12,764
Southpoint Properties	14,192
Menara Tan & Tan	6,333
GTower	20,497
Hampshire Place Office	4,724
Total	**94,076**

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KUALA LUMPUR
for identification only
Chartered Accountants

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PROFIT FORECAST OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY FOR THE FINANCIAL PERIOD 9 MONTHS ENDING 31 DECEMBER 2021 AND THE NOTES THEREON

4. **BASES AND ASSUMPTIONS** (continued)

<u>**Assumptions specific to IGB Commercial REIT**</u> (continued)

(b) Total Revenue (continued)

(i) Gross rental income (continued)

The following sets out the Manager's forecast average occupancy rate of the Subject Properties for the Forecast Period 2021.

	Average Occupancy Rate[(1)]
	Forecast Period 2021
Subject Properties	**(%)**
Menara IGB & IGB Annexe	67.8
Centrepoint South	83.3
Centrepoint North	84.6
Boulevard Properties	76.4
Gardens South Tower	82.6
Gardens North Tower	72.1
Southpoint Properties	71.5
Menara Tan & Tan	66.7
GTower	65.9
Hampshire Place Office	67.1
Weighted Average	**72.4[(2)]**

Notes:

(1) The forecast Average Occupancy Rate is derived based on the aggregate monthly forecast Occupancy Rate of each Subject Property divided by a period of nine (9) months.

(2) Computed based on the Average Occupancy Rate of each Subject Property multiplied by the contribution by each Subject Property to the total net lettable area ("NLA") of the Subject Properties.

The Manager has assumed the following in arriving at the forecast Occupancy Rate and the gross rental income for the tenancies of the Subject Properties for the Forecast Period 2021:

- Gross rental income is forecasted based on the agreed rental rates for committed tenancies as at 31 December 2020 for the Forecast Period 2021. Committed tenancies consist of revenue to be received under unexpired tenancy term from existing tenancy or newly signed tenancy agreement, or expected revenue from new tenants that have committed to commence tenancy during Forecast Period 2021. In deriving the gross rental income, the Manager has taken into consideration staggered rental as stipulated in the tenancy agreements, rent free periods and fit out periods. This represents 92% of total gross rental income;

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PROFIT FORECAST OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY FOR THE FINANCIAL PERIOD 9 MONTHS ENDING 31 DECEMBER 2021 AND THE NOTES THEREON

4. **BASES AND ASSUMPTIONS** (continued)

Assumptions specific to IGB Commercial REIT (continued)

(b) Total Revenue (continued)

(i) Gross rental income (continued)

- For tenancies that are expiring during the Forecast Period 2021, the Manager has engaged with all tenants, and identified the tenancies which are expected to be renewed based on the same rental rate as the existing tenancies or a new rental rate based on the Manager's expectation (excluding any rental rebates). In arriving at this assumption, the Manager has also considered each tenancy based on the tenant profile, tenure of rental and renewal history. The Manager has excluded gross rental income from tenants who have expressed intention not to renew their tenancies as well as tenancies which are expected not to be renewed. Revenue attributable to the renewal terms of the tenancies that are expiring during the Forecast Period 2021 represents 6% of total gross rental income;

- For vacant lots or occupied units with outgoing tenants, it is assumed that certain units will be taken up by the current tenants or prospective tenants, derived based on new tenancies under negotiation which the Manager expects to secure during Forecast Period 2021. This represents 2% of total gross rental income;

- Tenancies may be terminated prematurely. Existing tenancies with indication of early termination made aware to the Manager are excluded from the gross rental income. In addition, it is assumed that there will be a 2% reduction in total gross rental income during the Forecast Period 2021 as a result of early termination of tenancies. In deriving this assumption, the Manager has considered the historical early terminations in the Subject Properties during FYE 2019 and FYE 2020; and

- It is assumed that rental support to be given between April 2021 and June 2021 amounted to RM0.6 million based on the Manager's best estimate, taking into consideration enquiries received by the Vendors which will be assessed on a case-by-case basis.

PRICEWATERHOUSECOOPERS PLT KUALA LUMPUR for identification only Chartered Accountants

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PROFIT FORECAST OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY FOR THE FINANCIAL PERIOD 9 MONTHS ENDING 31 DECEMBER 2021 AND THE NOTES THEREON

4. BASES AND ASSUMPTIONS (continued)

Assumptions specific to IGB Commercial REIT (continued)

(b) Total Revenue (continued)

(ii) Revenue from contracts with customers

Revenue from contracts with customers consists of service charge, car park income, utilities recoveries and other rental income.

Service charge

Service charge comprises contributions for the maintenance and management of the common areas of the Subject Properties.

Service charge for the Forecast Period 2021 is derived based on the same assumptions as the gross rental income. It is assumed that the service charge rate remains at the same rate as of 31 December 2020.

Car park income

Southpoint Properties, Menara Tan & Tan, GTower and Hampshire Place Office currently have 1,065, 543, 1,090 and 286 car park lots respectively. Car park income is mainly made up of two (2) components, hourly car park collections and season passes.

It is assumed that the car park rate remains at the same rate as of 31 December 2020. The forecast car park income varies in proportion to the average occupancy rates forecasted for Southpoint Properties, Menara Tan & Tan, GTower and Hampshire Place Office.

Utilities recoverable and other income

The Group would engage in intermediary distribution of utilities whereby it supplies mainly electricity, chilled water, liquified petroleum gas and water to tenants as well as other miscellaneous income. Utilities recoverable and other income are estimated based on the historical experiences adjusted for the forecasted occupancy rates in the Forecast Period 2021.

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PROFIT FORECAST OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY FOR THE FINANCIAL PERIOD 9 MONTHS ENDING 31 DECEMBER 2021 AND THE NOTES THEREON

4. **BASES AND ASSUMPTIONS** (continued)

Assumptions specific to IGB Commercial REIT (continued)

(c) Property Operating Expenses

For the Forecast Period 2021, the Manager forecasted the Property Operating Expenses to be RM52.7 million. Property Operating Expenses consists of utilities expenses, assessment and quit rent, maintenance expenses, reimbursement costs and other property operating expenses.

(i) Assessment and quit rent

Assessment and quit rent rates are prescribed by and payable to the local authorities based on the annual value of the Subject Properties as assessed by the relevant local authorities.

It is assumed that the assessment and quit rent rates remain at the same prevailing rates as of 31 December 2020.

(ii) Utilities expenses

Utilities expenses refer to electricity, chilled water, liquified petroleum gas and water charges. Utilities expenses are estimated based on the historical expenses incurred by the Vendors on the Subject Properties adjusted for the forecasted Occupancy Rates in the Forecast Period 2021. It is assumed that utilities rates remain at the same prevailing rates as of 31 December 2020.

(iii) Maintenance expenses

Maintenance expenses refer to, among others, civil, mechanical and electrical maintenance, which cover lifts and escalators, air-conditioning, fire protection, security systems, car park systems, building automation systems and sewage and electrical systems.

Maintenance expenses are mainly made up of contractual services. Save for the asset enhancement initiative costs of RM1.5 million for the Forecast Period 2021, the Manager assumed that there will be no significant maintenance to be carried out for the Subject Properties in the Forecast Period 2021 which are not in the ordinary course of business. Accordingly, maintenance expenses are assumed to approximate historical experience.

(iv) Reimbursement costs and other property operating expenses

Reimbursement costs and other property operating expenses include mainly property management reimbursables, insurance expenses, property management fees and general and administrative expenses.

The Manager has assumed that reimbursement costs and other property operating expenses for the Subject Properties to approximate historical experience.

4. **BASES AND ASSUMPTIONS** (continued)

<u>**Assumptions specific to IGB Commercial REIT**</u> (continued)

(d) Management Fees

For the Forecast Period 2021, the Management Fees will be computed based on the following entitlement prescribed in the Deed of Trust ("Deed") to be entered into between the Manager and the Trustee constituting IGB Commercial REIT:

(i) base fee of up to 1% per annum of the Total Asset Value of IGB Commercial REIT as at 31 December 2021 (excluding cash and bank balances which are held in non-interest bearing accounts); and

(ii) performance fee of 5.0% per annum of net property income of the Subject Properties for the Forecast Period 2021.

The Manager intends to charge a base fee of 0.3% per annum of the Total Asset Value of IGB Commercial REIT (excluding cash and bank balances) for the Forecast Period 2021 and this has been assumed for purposes of the Profit Forecast.

The Manager will be paid the Management Fees in the form of cash, Units or a combination of both. For the purposes of the Profit Forecast, it is assumed that 100.0% of the Management Fees will be paid in Units for the Forecast Period 2021.

(e) Trustee's fee

For the Forecast Period 2021, the Trustee's fee comprises the fee payable to the Trustee up to 0.03% per annum of the net asset value of IGB Commercial REIT as at 31 December 2021 as prescribed in the Deed.

For the Forecast Period 2021, it is assumed that the Trustee's fee is RM0.5 million.

(f) Other trust expenses

Other trust expenses of the Group consist of costs incurred on the establishment date that are not incremental to the issuance of the Units, such as annual audit fees, taxation fees, valuation fees, market research fees, public relations expenses and other expenses relating to preparation and distribution of reports to Unitholders, together with other miscellaneous expenses such as postage, printing and stationery. These fees are determined based on estimated fees payable to the respective parties.

PRICEWATERHOUSECOOPERS PLT
KUALA LUMPUR
for identification only
Chartered Accountants

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PROFIT FORECAST OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY FOR THE FINANCIAL PERIOD 9 MONTHS ENDING 31 DECEMBER 2021 AND THE NOTES THEREON

4. BASES AND ASSUMPTIONS (continued)

Assumptions specific to IGB Commercial REIT (continued)

(g) Finance costs

To part finance the Acquisitions, the Group will obtain the proceeds from the issuance of the MTNs under the MTN Programme and from a Short Term Financing. The Manager has assumed an issuance of RM850.0 million from the MTN Programme and drawdown of RM3.2 million from new revolving credit facility under the Short Term Financing as described in Section 3.9 "REIT Financing" of the Prospectus on 31 March 2021.

The tenure of the MTN is assumed to be 7 years and no amount is due within the next 12 months. For purposes of the Profit Forecast, it is assumed that the MTN carries an indicative weighted average interest rate of approximately 3.54% per annum throughout the Forecast Period based on the indicative rate as at 31 December 2020.

The revolving credit facility under the Short Term Financing carries an interest rate of KLIBOR + 1.0% per annum. The interest rate is assumed to be at 3.06% based on the assumed 6-month KLIBOR of 2.06% for the Forecast Period 2021. The interest expense on the MTNs and Short Term Financing are recognised as finance costs in the statement of comprehensive income in the period in which they are incurred.

The Manager has also assumed that there will be no new issuance or redemption of MTN and drawdown or repayment of borrowings in the Forecast Period 2021.

(h) Taxation

In accordance with the Income Tax Act 1967 subsection 61(A)1, IGB Commercial REIT will be exempted from income tax provided that IGB Commercial REIT distributes 90.0% or more of its total income as defined in the Income Tax Act to its Unitholders within two months from the close of its financial year which forms the basis period for the year of assessment of IGB Commercial REIT.

It is assumed that 100.0% of IGB Commercial REIT's total income will be distributed to Unitholders within two (2) months after the close of the financial year. Accordingly, no current tax liabilities have been forecasted for the Forecast Period 2021.

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PROFIT FORECAST OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY FOR THE FINANCIAL PERIOD 9 MONTHS ENDING 31 DECEMBER 2021 AND THE NOTES THEREON

4. BASES AND ASSUMPTIONS (continued)

Assumptions specific to IGB Commercial REIT (continued)

(i) Investment properties and valuation

For the purpose of the Profit Forecast, the Manager has assumed that the key assumptions underpinning the valuation of the Subject Properties as at 31 December 2020 as appraised by the Independent Property Valuer, Henry Butcher Malaysia Sdn. Bhd. in its valuation reports 14 September 2020 and its updated valuation letters dated 10 February 2021 remained unchanged as at 31 December 2021. The list of key assumptions are listed within the Appendix A - Valuation Certificates of the Prospectus.

As such there will be no material fluctuation on the fair value of the Subject Properties during the Forecast Period 2021 and that the fair value of the Subject Properties remain at RM3,160.5 million, based on the market value appraised by the Independent Property Valuer as at 31 December 2020.

Accordingly, no fair value gains or losses are included in the Profit Forecast for the Forecast Period 2021.

(j) Distribution of income

The Manager has assumed that IGB Commercial REIT will distribute 100.0% of its Distributable Income for the Forecast Period 2021.

(k) General assumptions

(i) save for Units assumed to be issued to the Manager under Section 4.5.3.3 "Management Fee" of this Prospectus, the assets portfolio and structure of the Group remains unchanged with no further issuance under the MTN Programme and no further drawdown of the Short Term Financing (save as disclosed above in Section 4.5.3.6 "Finance Costs" of this Prospectus) or issuance of Units for cash;

(ii) it is assumed that all Units to be issued will be fully subscribed at RM1.00 per Unit;

(iii) there will be no significant change to the principal activities, management structure and accounting policies adopted by the Group;

(iv) there will be no changes to the portfolio of the Subject Properties;

(v) save for existing tenancies with indication of early termination made aware to the Manager which have been excluded from the gross rental income, as well as the 2.0% reduction in total gross rental income as a result of early termination of tenancies, all tenancies are enforceable and will be performed in accordance with their terms with no premature termination of tenancies;

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IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PROFIT FORECAST OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY FOR THE FINANCIAL PERIOD 9 MONTHS ENDING 31 DECEMBER 2021 AND THE NOTES THEREON

4. BASES AND ASSUMPTIONS (continued)

Assumptions specific to IGB Commercial REIT (continued)

(k) General assumptions (continued)

(vi) there will be no major changes in the prevailing inflation rate, property expenses, finance costs and trust expenses of the Group other than forecast;

(vii) there will be no major changes to the cost of fund or the effective interest rate which will materially affect the Group's finance costs;

(viii) significantly all revenue receivable by the Group, such as rental proceeds, will be received within the credit term for such receivables;

(ix) there will be no major changes in the Group's operations that will adversely affect the performance of the Group;

(x) there will be no material contingent liabilities arising during the Forecast Period 2021, which may adversely affect the Profit Forecast. The Group will not be engaged in any material litigation and there will be no legal proceedings which will affect the Group's activities or performance or give rise to additional contingent liabilities which may materially affect the results of the Group;

(xi) there will be no major uninsured losses, no claims against IGB Commercial REIT or its subsidiary for risks not covered under its existing insurance policies and no material losses in excess of insurance proceeds;

(xii) it has been assumed that there will be no major changes in the MFRS and IFRS or other financial reporting requirements that may have a material effect on the Profit Forecast;

(xiii) there will be no adverse economic, political or property market conditions which will materially affect the activities and performances of the Subject Properties;

(xiv) there will be no major changes to present legislation or Government regulations, tax rates and basis of taxation in Malaysia which will adversely affect the operations of the Group or the markets in which it operates;

(xv) there will be no major disruption in the operations and there will be no other events and abnormal factors including war, terrorism attacks, epidemic outbreak or natural disaster, which will adversely affect the operations of the Group other than the impact arising from the ongoing COVID-19 pandemic. The impact arising from the ongoing COVID-19 pandemic and the movement control orders implemented by the Government of Malaysia have been factored into the Forecast Period 2021 to the extent of the Manager's knowledge as at 31 December 2020. Should the COVID-19 pandemic situation be prolonged or worsened, it could materially and adversely affect the business, financial conditions and the results of operations of IGB Commercial REIT.

IGB COMMERCIAL REAL ESTATE INVESTMENT TRUST ("IGB COMMERCIAL REIT")

PROFIT FORECAST OF IGB COMMERCIAL REIT AND ITS SUBSIDIARY FOR THE FINANCIAL PERIOD 9 MONTHS ENDING 31 DECEMBER 2021 AND THE NOTES THEREON

4. BASES AND ASSUMPTIONS (continued)

Assumptions specific to IGB Commercial REIT (continued)

(k) General assumptions (continued)

(xvi) there will be no major industrial disputes or any other abnormal factors or changes that will significantly affect the Group's operations or rental rate or disrupt its planned operations; and

(xvii) there will be no significant changes in the terms and conditions of material contracts and agreements, including but not limited to, the SPAs and Supplemental Letters, the Deed, the tenancy agreements, the financing agreements and the Property Management Agreement.

Approved on behalf of the Board of Directors of IGB REIT Management Sdn. Bhd. in accordance with a resolution of the Board of Directors.

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Chai Lai Sim
Group Chief Financial Officer

1. OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE RESTRICTED OFFERING: 10.00 a.m., 10 June 2021

CLOSING OF THE RESTRICTED OFFERING: 5.00 p.m., 6 July 2021

The Manager (as determined by the Directors) together with IGB may decide upon consultation with the SC to extend the closing date and time for applications under the Restricted Offering to any later date or dates. If they decide to extend the closing date for the applications, the dates for the allotment of the Offer Units and the Listing will be extended accordingly. Any extension will be announced by way of advertisement in a widely circulated Bahasa Malaysia and English Language newspaper within Malaysia.

Late applications will not be accepted.

2. METHODS OF APPLICATION AND CATEGORY OF INVESTORS

2.1 Application for Offer Units under the Restricted Offering

Application by the Entitled Shareholders for subscription of their entitlements to the ROFS Units pursuant to the ROFS may be made using the Offer Acceptance Form. Entitled Shareholders may fully or partially subscribe for their entitlements to the ROFS Units and will be entitled to receive the corresponding DIS Units in proportion to the ROFS Units subscribed.

Entitled Shareholders are not allowed to submit multiple applications in respect of the same CDS account.

2.2 Application by institutional investors and selected investors under the Institutional Offering

Institutional investors and selected investors being allotted the Offer Units under the Institutional Offering will be contacted directly by the Joint Bookrunners and shall follow the instructions as communicated by the Joint Bookrunners.

3. PROCEDURES FOR APPLICATION

Entitled Shareholders will find enclosed with this Prospectus, the NPO notifying the Entitled Shareholders of the offer of the ROFS Units and the corresponding DIS Units, and the Offer Acceptance Form (together with the notes and instructions printed therein) to subscribe for the ROFS Units.

In determining an Entitled Shareholder's entitlement to the ROFS Units and the corresponding DIS Units, any fractional entitlement will be disregarded and the aggregate of such will be dealt with in such manner and on terms as the Manager and board of directors of IGB may in its absolute discretion deem fit, necessary and/or expedient and in the best interests of IGB Commercial REIT (including without limitation to disregard such fractional entitlement).

3.1 Form of issuance

THE ROFS IS **NON-RENOUNCEABLE** AND **NON-TRADEABLE**.

The number of ROFS Units and the corresponding DIS Units provisionally offered to the Entitled Shareholders **will** not be credited into the Entitled Shareholders' CDS accounts and there **will** not be any trading of the ROFS Units and the corresponding DIS Units during the offer period. The **number** of **ROFS Units provisionally offered to the Entitled Shareholders is also non-transferable.** Entitled Shareholders may fully or partially subscribe for their entitlements to the ROFS Units and will be entitled to receive the corresponding DIS Units.

Bursa Securities has already prescribed the Units listed on the Main Market to be deposited with Bursa Depository. Accordingly, the ROFS Units and DIS Units are prescribed securities and as such, all dealings in the ROFS Units and the corresponding DIS Units shall be subject to the SICDA and the Rules of Bursa Depository. Subscriptions which do not conform to the terms of this Prospectus, the NPO and/or the Offer Acceptance Form (including the notes and instructions therein) or which contain inaccurate CDS account number or which are illegible may not be accepted at the absolute discretion of the Manager and IGB.

Upon acceptance of the applicant's application, the number of ROFS Units subscribed for together with the corresponding DIS Units will be credited into the CDS account of the successful applicant. By making the subscription, the applicant consents to receiving such ROFS Units and the corresponding DIS Units as deposited securities credited directly into his/her CDS account. The notices of allotment will be despatched to the applicant by ordinary post to the address as stated in the records of Bursa Depository at the applicant's own risk, within 10 Market Days from Listing.

FULL INSTRUCTIONS FOR THE SUBSCRIPTION AND PAYMENT FOR THE ROFS UNITS OFFERED TO THE ENTITLED SHAREHOLDERS AND THE PROCEDURES TO BE FOLLOWED, ARE SET OUT IN THIS PROSPECTUS, THE NPO AND THE OFFER ACCEPTANCE FORM.

ENTITLED SHAREHOLDERS ARE ADVISED TO READ THIS PROSPECTUS, THE NPO, THE OFFER ACCEPTANCE FORM AND NOTES AND INSTRUCTIONS PRINTED THEREIN CAREFULLY.

3.2 Procedures for subscription

Subscription and payment for the ROFS Units offered to an Entitled Shareholder must be made with the Offer Acceptance Form enclosed with this Prospectus and must be completed in accordance with the notes and instructions contained therein.

The amount payable in full upon application is RM1.00 per ROFS Unit.

Up to 945,000,132 Offer Units reserved for application by the Entitled Shareholders via the Restricted Offering shall be allocated in the following manner:

(i) Pursuant to the ROFS, IGB shall offer for sale up to 378,000,053 ROFS Units to the Entitled Shareholders on the basis of two (2) ROFS Units for every five (5) IGB Shares held on the Entitlement Date, at RM1.00 per ROFS Unit; and

(ii) Pursuant to the DIS, IGB shall distribute up to 567,000,079 DIS Units to the Entitled Shareholders who have subscribed for their entitlements to the ROFS Units on the basis of three (3) DIS Units for every two (2) ROFS Units subscribed.

This Prospectus will not be registered under any applicable securities legislation of any foreign jurisdiction. Accordingly, this Prospectus will not be sent to to Entitled Shareholders with a registered address in jurisdictions outside of Malaysia ("**Foreign Addressed Shareholders**").

Each completed Offer Acceptance Form together with the relevant payment must be despatched by **ORDINARY POST**, **COURIER** or **DELIVERED BY HAND** in the official envelope provided (at the Entitled Shareholders own risk), to the following address:

Boardroom Share Registrars Sdn Bhd
(Registration Number: 199601006647 (378993-D))
11th Floor Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Telephone No.: +603 7890 4700

so as to arrive no later than 5.00 p.m. on 6 July 2021, or such later date or dates as the Manager and IGB may decide in their absolute discretion.

If the Entitled Shareholders have more than one (1) CDS account being entitled to the provisionally offered Offer Units under the Restricted Offering, the Entitled Shareholders are required to use separate Offer Acceptance Forms to accept the offers relating to the respective CDS accounts. If successful, such number of ROFS Units subscribed by an Entitled Shareholder and the corresponding DIS Units will be credited into the respective CDS accounts as stated in the Record of Depositors. The Entitled Shareholders may not request for the ROFS Units and the corresponding DIS Units applied for in a particular CDS account to be credited into another CDS account or more than one (1) CDS account.

The minimum number of securities that can be subscribed for is one (1) ROFS Unit. Successful applicants for the ROFS will be given three (3) DIS Units for every two (2) ROFS Units subscribed. Entitled Shareholders should take note that a trading board lot will comprise 100 Units. In determining the Entitled Shareholders' entitlements to the ROFS Units and the corresponding DIS Units, any fractional entitlements to the ROFS Units and DIS Units will be disregarded and the aggregate of such will be dealt with in such manner or terms as the Manager and board of directors of IGB may in its absolute discretion deem fit, necessary and/or expedient and in the best interests of IGB Commercial REIT (including without limitation to disregard such fractional entitlements).

Entitled Shareholders are not allowed to submit multiple applications in respect of the same CDS account and the Manager and IGB has the absolute discretion to reject any such multiple applications.

Payment must be made in the exact amount. Any subscription with excess or insufficient payment may be rejected at the absolute discretion of the Manager and IGB. Cheques or any other mode of payments are not acceptable.

If subscription and payment for the ROFS Units offered to an Entitled Shareholder is not received by the Unit Registrar by 5.00 p.m. on 6 July 2021 or such later date or dates as the Manager and IGB may in their absolute discretion mutually decide and announce, the Entitled Shareholder will be deemed to have declined such offer and it will be cancelled. Such ROFS Units and the corresponding DIS Units not taken up will be allotted under the Institutional Offering.

Proof of time of postage shall not constitute proof of time of receipt by the Unit Registrar for the Restricted Offering. The Manager and IGB reserve the right not to accept or to accept in part only any application without providing any reason.

An Entitled Shareholder who loses, misplaces or for any other reason requires another copy of the Offer Acceptance Form, may obtain additional copies from Unit Registrar for the Restricted Offering at the address stated above.

The completed Offer Acceptance Form, together with the remittance in RM for the full amount payable in the form of Banker's Draft or Cashiers Order or Money Order or Postal Order drawn on a bank or post office in Malaysia and made out in favour of "**IGB RESTRICTED OFFERING ACCOUNT**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with the name, address and CDS Account number of the applicant in block letters, must be received by the Unit Registrar no later than 5:00 p.m. on 6 July 2021, or such later date or dates as the Manager and IGB may decide in its absolute discretion. Cheques or any other modes of payment will not be accepted and will be rejected.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF THE MANAGER AND IGB. DETAILS OF THE REMITTANCE MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE OFFER ACCEPTANCE FORM.

THE OFFER ACCEPTANCE FORM IS FOR USE ONLY BY PERSON(S) TO WHOM THE FORM IS ADDRESSED AND IS NOT TRANSFERABLE.

No acknowledgement of the receipt of the Offer Acceptance Form or applications monies will be made by IGB, the Manager or the Unit Registrar for the Restricted Offering. However, notices of allotment will be issued and forwarded by ordinary post to the accepting Entitled Shareholders at their own risk to the address stated in the records of Bursa Depository within 10 Market Days from the Listing.

WHERE AN APPLICATION IS NOT ACCEPTED, THE FULL AMOUNT SHALL BE REFUNDED WITHOUT INTEREST TO THE APPLICANTS WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR SUBCRIPTION AND PAYMENT FOR THE RESTRICTED OFFERING BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

3.3 Procedures for part subscription

Entitled Shareholders are entitled to accept part of their entitlement to the ROFS Units PROVIDED ALWAYS that:

(i) the minimum number of ROFS Units that may be accepted is one (1) ROFS Unit; and

(ii) any part subscription shall be in the proportion of one (1) ROFS Unit.

Entitled Shareholders must complete the Offer Acceptance Form by specifying the number of ROFS Units which they are subscribing for (in the stipulated proportions) and deliver the completed and signed Offer Acceptance Form together with the relevant payment to the Unit Registrar in the manner set out in Section 3.2 "Procedures for Subscription", Appendix F of this Prospectus.

3.4 Laws of foreign jurisdictions

Nothing in this Prospectus, the NPO and the Offer Acceptance Form constitute the making available or offer for subscription or purchase, or invitation to subscribe for or purchase, or sale of the Offer Units under the Restricted Offering in any jurisdictions other than Malaysia. No approval of, any regulatory authorities or other relevant bodies, have been or will be obtained for the making available or offer for subscription or purchase, or invitation to subscribe for or purchase, or sale of the Offer Units under the Restricted Offering in any jurisdictions other than Malaysia. Accordingly, the Offer Units under the Restricted Offering will only be available or offered or sold exclusively to persons in Malaysia.

This Prospectus, the NPO and the Offer Acceptance Form are not intended to be and will not be issued to comply with the laws of any jurisdictions other than Malaysia, and have not been and will not be lodged, registered or approved pursuant to or under any applicable securities legislation, or with or by any regulatory authorities or other relevant bodies, of any jurisdictions other than Malaysia.

This Prospectus, the NPO and the Offer Acceptance Form are not intended to be and will not be issued, circulated or distributed in any jurisdictions other than Malaysia, whether directly or indirectly, for the purpose of making available or offer for subscription or purchase, or invitation to subscribe for or purchase, or sale of the Offer Units under the Restricted Offering in any jurisdictions other than Malaysia.

As such, this Prospectus, the NPO and the Offer Acceptance Form will not be despatched to Foreign Addressed Shareholders unless they have provided an address in Malaysia for the service of this Prospectus, the NPO and the Offer Acceptance Form by the Entitlement Date. The Manager, IGB, the Unit Registrar and the Principal Adviser will not, prior to acting on any subscription in respect of the Restricted Offering, make or be bound to make any inquiry as to whether Entitled Shareholders have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any inquiry or investigation is made in connection therewith. Notwithstanding the foregoing, Foreign Addressed Shareholders may collect this Prospectus, the NPO and the Offer Acceptance Form in person from the Unit Registrar's office, in which event the Unit Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting this Prospectus, the NPO and the Offer Acceptance Form.

Such collection may be done during normal business hours from Mondays to Fridays (except public holidays) from the date hereof until 5.00 p.m. on 6 July 2021 (or such later date and time as the Manager and IGB may decide in its absolute discretion and announce not less than two (2) Market Days before the stipulated date and time).

It shall be the sole responsibility of each Foreign Addressed Shareholder into whose possession this Prospectus, the NPO and the Offer Acceptance Form may come or to whom such Restricted Offering is made to inform himself of, and observe all applicable laws of the relevant jurisdiction which may prohibit or restrict the making available or offer for subscription or purchase, or invitation to subscribe for or purchase, or sale of the Offer Units under the Restricted Offering, or which may prohibit or restrict the issue, circulation or distribution of this Prospectus, the NPO and the Offer Acceptance Form to him. Entitled Shareholders who are residing in jurisdictions other than Malaysia should therefore consult their legal and/or other professional advisers as to whether the Restricted Offering and/or the acceptance of the Offer Units under the Restricted Offering would result in the contravention of any laws of such jurisdiction in which the Entitled Shareholder is a resident.

Foreign Addressed Shareholders may only accept all or any part of their entitlements and exercise any other rights in respect of the Restricted Offering to the extent that it would be lawful to do so. None of the Manager, IGB, the Unit Registrar and the Principal Adviser or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers is making any representation or undertaking to the Foreign Addressed Shareholders regarding the legality of an investment by such Foreign Addressed Shareholder under appropriate legal, investment or similar laws. Neither the Manager, IGB, the Unit Registrar, Principal Adviser nor any other experts ("**Parties**") to the Restricted Offering shall, in connection with the Restricted Offering, be responsible for any breach of the laws of jurisdictions other than Malaysia to which a Foreign Addressed Shareholder is or may be subject to and he/she shall be solely responsible to seek advice as to the laws of jurisdiction to which he/she is or may be subject to. The Parties shall not accept any responsibility or liability whatsoever to any party in the event that any subscription for Offer Units under the Restricted Offering by a Foreign Addressed Shareholder is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction. Foreign Addressed Shareholders will also have no claims whatsoever against the Parties in respect of their entitlements or to any net proceeds thereof.

By signing the Offer Acceptance Form accompanying this Prospectus, Foreign Addressed Shareholders are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) the Parties (or if it is a broker-dealer or custodian acting on behalf of its customer, such customer has confirmed to it that such customer has so represented, acknowledged and declared in respect of itself) that:

(i) the Parties would not, by acting on any subscription in connection with the Restricted Offering, be in breach of the laws of any jurisdictions to which that the Foreign Addressed Shareholders are or may be subject to;

(ii) Foreign Addressed Shareholders have complied with the laws to which they are or may be subject to in connection with any subscription in connection with the Restricted Offering;

(iii) Foreign Addressed Shareholders are not a nominee or an agent of a person in respect of whom the Parties would, by acting on any subscription in connection with the Restricted Offering, be in breach of the laws of any countries or jurisdictions to which that person is or may be subject to;

(iv) Foreign Addressed Shareholders have respectively received copies of this Prospectus, the NPO and the Offer Acceptance Form and have had access to such financial and other information and have been provided with the opportunity to pose such questions to the representatives of the Parties and receive answers thereto as they deem necessary in connection with their decision to subscribe or purchase the Offer Units under the Restricted Offering; and

(v) Foreign Addressed Shareholders have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Offer Units under the Restricted Offering, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Offer Units under the Restricted Offering.

The Manager and IGB will assume and shall rely on the above representation that any subscription under the Restricted Offering by Foreign Addressed Shareholders would be in compliance with the terms of the Restricted Offering and would not be in breach of the laws of any countries.

However, the Manager and IGB reserve the right, in their absolute discretion, to treat any subscription as invalid if they or either of them believe that such subscription may violate any law or applicable legal or regulatory requirements. The Offer Units under the Restricted Offering relating to any subscription which have so been treated as invalid will be included in the pool of Offer Units available for application by the institutional investors and selected investors under the Institutional Offering.

The Foreign Addressed Shareholders will have no rights or claim whatsoever against the Manager, IGB, Principal Adviser, any of their respective directors or any other persons involved in the Listing, in respect of their entitlements or to any proceeds thereof in respect of the Restricted Offering and the Manager, IGB, Principal Adviser, any of their respective directors or any other persons involved in the Listing shall not accept any responsibility and liability in the event that any subscription/excess application under the Restricted Offering is or becomes illegal, unenforceable, voidable or void or shall contravene the laws in such countries or jurisdictions.

4. TERMS AND CONDITIONS

(i) An applicant is required to pay the ROFS Price of RM1.00 for each ROFS Unit he has subscribed for.

(ii) The application must be made in connection with and subject to this Prospectus and the Deed. The applicant agrees to be bound by the Deed should he be allotted any Offer Units.

(iii) The submission of an application does not necessarily mean that the application will be successful. Any submission of application is irrevocable and cannot be subsequently withdrawn.

(iv) Neither IGB, the Manager nor the Unit Registrar will issue any acknowledgement of the receipt of the application or application monies.

(v) An applicant must ensure that his personal particulars submitted in his application are correct and accurate and identical with the records maintained by Bursa Depository. Otherwise, his application will be rejected. Bursa Depository will have to be promptly notified of any change in his address failing which the notification letter of successful allocation will be sent to his registered/correspondence address last maintained with Bursa Depository.

(vi) An applicant's remittances having been presented for payment shall not signify that his application has been accepted.

IGB's acceptance of the application to subscribe for the ROFS Units shall be constituted by the issue of notices of allotment for the ROFS Units and the corresponding DIS Units to the applicant.

(vii) Submission of an applicant's CDS Account number in his application includes his authority/consent in accordance with Malaysian laws of Bursa Depository to disclose information pertaining to his CDS Account and other relevant information to the IGB, the Manager or the Issuing House and any relevant regulatory bodies (as the case may be).

The applicant agrees to accept IGB's decision as final should IGB decide not to allot any ROFS Units and the corresponding DIS Units to him.

5. UNDER-SUBSCRIPTION

Pursuant to the Listing Requirements, IGB Commercial REIT needs to have a minimum number of 1,000 public unitholders holding not less than 100 Units each upon Listing and completion of this Offering. The Manager expects to achieve this at the point of Listing. In the event that the above requirement is not met, the Manager may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be refunded without interest.

In the event of an under-subscription in the Restricted Offering, all unsubscribed ROFS Units together with the corresponding DIS Units will be allocated to the Institutional Offering.

The ROFS Units subscribed for and the corresponding DIS Units allotted to all successful applicants will be credited to their respective CDS Accounts. Notices of allotment will be despatched to the Entitled Shareholders who subscribe for all or part of their entitlements to the ROFS Units to the address last maintained with Bursa Depository at their own risk prior to the Listing. This is the only acknowledgement of acceptance of the application.

All applicants must inform Bursa Depository of their updated addresses promptly by adhering to the certain rules and regulations of Bursa Depository, failing which the notification letter on successful allotment shall be sent to the applicants' registered or correspondence addresses last maintained with Bursa Depository.

6. ENQUIRIES

An applicant may contact the Unit Registrar if he has any queries on the Offer Acceptance Form at telephone no. +603 7890 4700.