



# Offices

Kuala Lumpur, Malaysia



## The Malaysia Office Market

### Malaysia's Booming Economy

Malaysia's GDP Growth in Q1/2008 was recorded at 7.1 per cent. Strong economic growth in 2007 can be attributed to robust domestic demand driven by strong domestic consumption and investment activity. Foreign Direct Investment increased by 50 per cent in 2007 to US\$ 9.4 Billion.

### World Bank Ease of Doing Business

The Doing Business Report produced by the World Bank is a highly regarded source of information for international investors and business leaders. In the 2008 report, Malaysia was ranked 4th out of 178 global economies in terms of protecting investors, beaten only by New Zealand, Singapore and Hong Kong (USA ranked 5th and UK ranked 9th). Malaysia was also ranked 24th out of 178 global economies in terms of overall ease of doing business. The only countries in Asia with a higher ranking were Singapore, Hong Kong, Japan and Thailand.

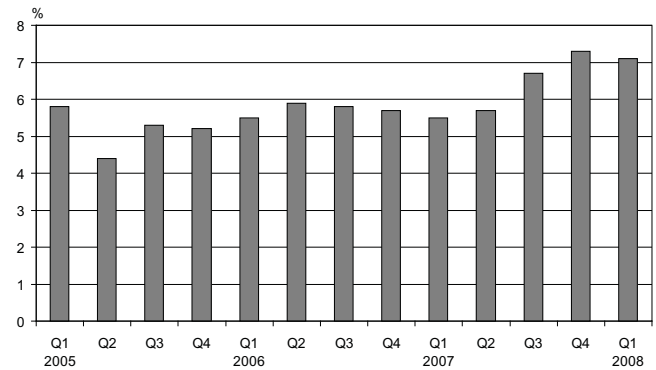
### The Global Centre For Islamic Finance

Wilayah Persekutuan Kuala Lumpur (WPKL) is a Federal Territory containing the city of Kuala Lumpur and including decentralised locations such as KL Sentral public transport hub, Mid Valley City, Damansara Heights and Bangsar. The demand for office space has been driven by financial institutions expanding into the Islamic financial sector, the professional service industry and the oil and gas sector. Malaysia has acquired experience in developing an Islamic financial system and Islamic capital markets and has ambitions to be the global centre for Islamic finance. An advanced legal, accounting and tax framework has been put in place to facilitate the Islamic financial sector further.

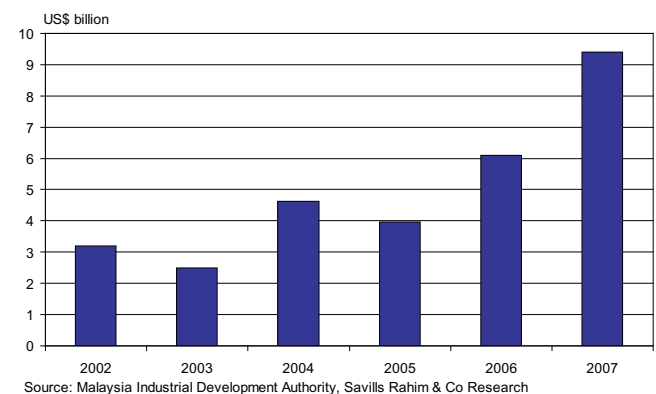
### Capitalizing On High Demand and Limited Supply

The scarcity of development land in Kuala Lumpur's Golden Triangle and a proliferation of new luxury residential developments means that Grade 'A' office buildings which are well maintained and with reputable owners are in high demand. Although the total stock of office buildings in WPKL (including government buildings) amounted to approximately 65 million sq.ft. the total stock of private Grade 'A' office buildings amounts to only 4 million sq.ft. This limited stock of international standard Grade 'A' office buildings is highly sought after by multinational corporations which have all been expanding and consolidating over the past 2 years. This has resulted in above average occupancy rates and soaring rents in Grade 'A' buildings compared with decentralised locations.

### GDP Growth, Q1/2005 - Q1/2008



### Foreign Direct Investment, 2002 - 2007



### Rank of Ease of Doing Business, 2008

Economy	Protecting Investors	Ease of Doing Business Rank
New Zealand	1	2
Singapore	2	1
Hong Kong, China	3	4
Malaysia	4	24
United States	5	3
Canada	5	7
Ireland	5	8
Israel	5	29
United Kingdom	9	6
South Africa	9	35

Source: Doing Business 2008, World Bank

### Existing Supply

Many office buildings have been refurbished to cater for rising demand and some, such as Menara Standard Chartered, have won awards for, amongst other reasons, contributing to architectural preservation. The newly completed 190,000 sq.ft. Grade 'A' office building at 24 Jalan Perak has already reached 90 per cent occupancy and has proved more popular than some refurbished buildings because of features such as raised floors and "green building" credentials. WPKL has seen falling vacancy rates since 2001 with 18 per cent vacant in Q1/2007 compared with 16.8 per cent vacant in Q4/2007. Grade 'A' office buildings have bucked this trend with many running at 100 per cent occupancy.

We expect Grade 'A' office rents and sales prices to increase by 20 per cent and 10 per cent respectively over 2008. Despite such sharp price increases, interest from tenants and institutional investors alike is going to create a competitive market in 2008 contributing to the anticipated price hike.

### New Supply

Eight new office buildings are currently under construction in Kuala Lumpur's Golden Triangle and once complete will introduce approximately 4 million sq.ft. of much needed accommodation into the Golden Triangle area by 2012. Some new office developments are introducing advanced concepts to justify Grade 'A ++' claims. The new G Tower is located on main road Jalan Tun Razak and next to Ampang Park train station and has already been awarded a 'gold' green building rating by the Building and Construction Authority of Singapore. The property is also likely to gain "multi media super corridor" status which affords eligible tenants tax and employment incentives.

Other new office buildings may be owner occupied, especially by government departments or government linked companies, which will balance the incoming supply in the Golden Triangle. For example, TTDI Development Sdn Bhd recently sold a 50 storey office building in its new Platinum Park development to the Federal Land Development Authority (FELDA) for RM 640.7 million. The building is likely to be called Menara FELDA and has a NLA of approximately 689,000 sq.ft.

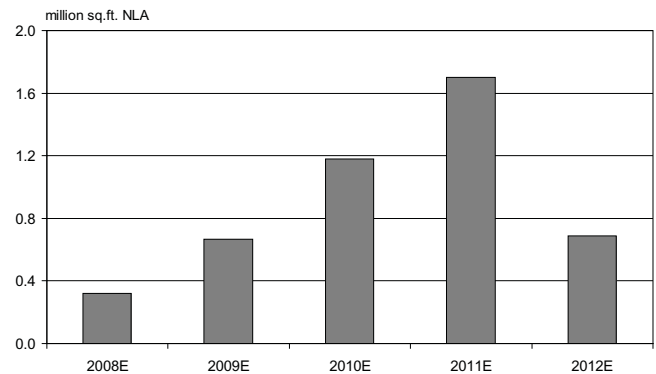
With an average take up of 1.76 million sq.ft. per year in WPKL between 1993 and 2007 and the existing Grade 'A' office stock unable to cope with demand, it does seem like the new supply is perfectly positioned.

### Map of Federal Territory Wilayah Persekutuan Kuala Lumpur



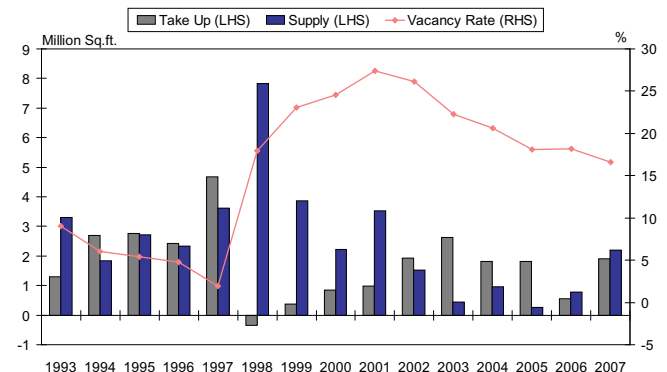
Source: Savills Rahim & Co Research

### Future Office Supply in Golden Triangle, 2008 - 2012



Source: National Property Information Centre, Savills Rahim & Co Research

### Supply, Take-up and Vacancy of Office Space in WPKL, 1993 - 2007



Source: National Property Information Centre, Savills Rahim & Co Research





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