OFFICE

Current Supply

As at 1H 07, the overall office space in the Klang Valley stood at approximately 65.081 million sf. Of this total supply, 37% is located within the Golden Triangle (GT) area whilst 19.3% is located in the Central Business District (CBD).

The balance 43.7% is largely distributed in the decentralised areas (DA) of Mont Kiara, Bangsar and Damansara Heights, and Petaling Jaya. Office completion in 2006 is limited to Chulan Tower (330,000 sf) and The Taipan (130,000 sf) in the GT area. In 1H 07, Menara TSH and Centrepoint Midvalley were completed contributing 575,000 sf to the overall supply. The future supply of office space in Kuala Lumpur is expected to contribute another 5.097 mil sf over the next 3 years.

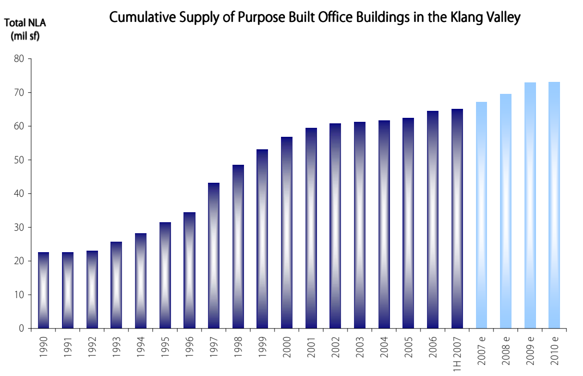
We view this future supply as 'moderate' but with the market still in recovery stage, there is growing evidence of a new generation of buildings. Despite relatively moderate new supply this year, a substantial improvement in the vacancy rates is dependent upon a pick up in net absorption which has actually been declining since 2004.

Rental

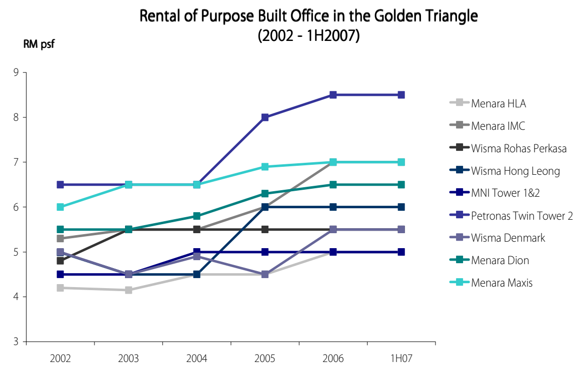
2006 also saw the continued growth and increase in popularity of decentralised office locations. KL Sentral was the most popular destination, and saw the leasing of about 152,000 sf under a 15-year lease by Maxis Communications Bhd. Regus also took up approximately 15,500 sf.

Popularity of these decentralised locations can also be evidenced from the successful sale of office space within the decentralised areas. Some examples are as follows:

- 100% sell out of Solaris Mont Kiara comprising 3, 4 & 5 storey shop offices for Phase 1 and 8 - 10 sty retail & office suites for Phase 2.
- PJ8 which has to date achieved an 85% take up rate since launching.



Source: Regroup



Source: Regroup

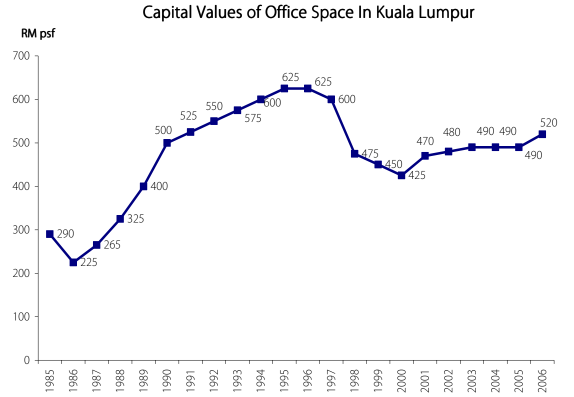
OFFICE

Capital Value

Currently, KL is experiencing an unprecedented level of interest from local and overseas investors for good quality office investments to buy. The following are the principal reasons:

- A complete revision of the Securities Commission (SC) guidelines for the establishment of REITs on 3 January 2005. This almost immediately led to strong demand for investment property from those wishing to set up REITs under the new liberalised tax regime. Demand from this source continues.
- A shift in policy whereby government institutions such as the Employees Provident Fund (EPF) and others decided to invest in commercial property.
- Mounting worldwide liquidity which led to increased demand from overseas REITs and opportunistic funds.

Capital Values of Office Space In Kuala Lumpur



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Our view, which is a subjective view, is that the value of Grade A office space will probably rise to some RM900 psf over the next 2 years. Our argument to support this is as follows:

- Currently, it is generally accepted in valuation circles that top-quality commercial investments are valued to reflect a yield of 7%.
- There are already numerous institutional buyers who are prepared to accept yields as low as 6% because of the prospect of capital appreciation.
- This lowering of yields can also be supported by a real anticipation of some rental growth. Monthly rental in prime buildings will probably achieve on average of RM 6.00 psf.

Key Investment and Tenant Movement

On the investment front, 2006 was very active with numerous major transactions, especially REIT related transactions. The market has begun to acquire interests in REITs subsequent to the revised guidelines issued by the Securities Commission of Malaysia in 2005. Significant office buildings which have changed hands in 2006 showed an increase to RM2.595 billion (27 properties) from RM1.931 billion (17 properties) in 2005.

In 1H 07, 7 office buildings were transacted in Klang Valley. Significant movers in 2006—1H07 include KAF-Seagroatt & Campbell (70,000 sf) from Wisma Goldhill, IBM's move from Taman Tun Dr Ismail to 8 First Avenue (120,000 sf) in Bandar Utama and KPMG's move to 8 First Avenue (120,000 sf) from its current premises in Bangunan Setia 2, Damansara Heights. Other notable tenant movements in the market are as follows:

Tenant / Occupier	Office Building	Zone
University of Nottingham (campus), KAF-Seagroatt & Campbell	Chulan Tower	GT
BN-Amro	Menara Maxis	GT
Export-Import Bank of Bhd	UBN Tower	GT
Shinichi Sdn Bhd	Kompleks Antarabangsa	GT
Vsource Asia Bhd	Menara HLA	GT
Walton International	Wisma Genting	GT
Singapore Airlines Limited	Menara Multi-Purpose	CBD
AEON, JW Marriot, Fujitsu (M) Sdn Bhd	Menara Olympia	CBD
Reckitt Benckiser (M) Sdn Bhd	Wisma Setia 1	DA
Think Products (M) Sdn Bhd	Damansara Uptown 5	DA
British Telecoms	Plaza Sentral	DA
General Electric Inc	Plaza Sentral	DA
Perbadanan Usahawan National Berhad	Plaza Sentral	DA
BIH Heaters	HP Tower	DA
IBM	8 First Avenue	SUB
KPMJ	8 First Avenue	SUB
MoBif	Menara Olympia	CBD
Sony service centre	Midvalley centrepoint	DA
GPS	Menara See Hoy Chan	GT