

KLANG VALLEY HOSPITALITY MARKET 4Q 2010

The hospitality sector performed relatively well during fourth quarter 2010 as a result of increased demand due to year end holidays and exodus from the winter countries. There was a slight increase in tourist arrivals, about 1.2%, for the period of October to December 2010, whereby a total of 6.34 million tourists were recorded compared to 6.27 million tourists over the similar period in 2009.

Supply & Demand

As of December 2010, there are a total of approximately 36,431 hotel rooms in Klang Valley from which about 26,101 rooms or 71.62% are located within Kuala Lumpur City Centre and the remaining 28.38% (10,330 rooms) is located outside the Kuala Lumpur City. The current supply of 3-star, 4-star and 5-star hotel rooms in KL City stands at 4,380, 9,332 and 7,261 respectively. As for the Budget hotel, at present there are about 5,128 rooms within Kuala Lumpur City.

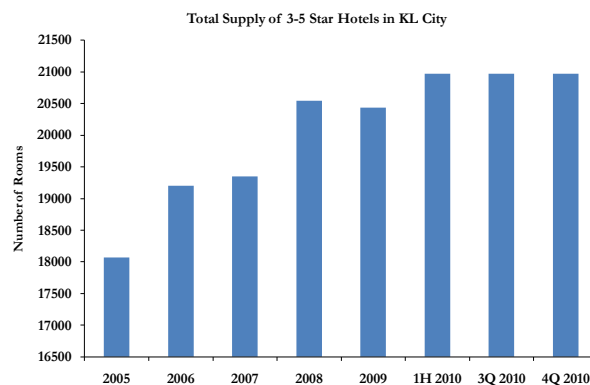
There were no new hotels completed during 4Q2010.

However, there are a number of hotels scheduled for openings in year 2011. One of it is the 378-room 4-star D'Tiara AmanahRaya Hotel Suites in KL Sentral which is scheduled for opening in mid-2011.

The year 2011 also will mark the entry of StayWell Hospitality Group into local hospitality sector as they will operate the 445-room 4-star Park Regis, which is a part of the Taragon Puteri Kuala Lumpur development.

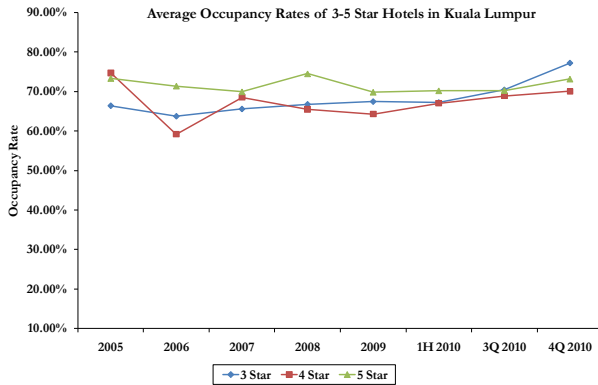
On top of that, there are also few prominent hotel brands to make entry into the Kuala Lumpur hospitality market, creating an international atmosphere. The hotels are the Grand Hyatt Hotel, Four Seasons Hotel, the 250-room Regent Hotel along Jalan Ampang, to be open in 2013, the 200-room Raffles Hotel within Pavilion KL, to be

completed in 2013 and the 200-room St.Regis which is to be launched in 2014.



Source: Zerin Properties Research

Occupancy Rate



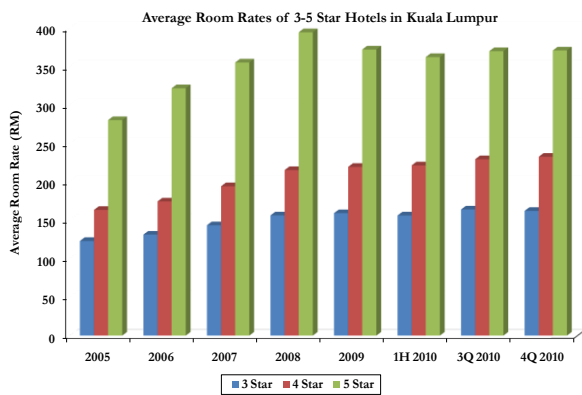
Source: Zerin Properties Research

In 4Q2010, the overall occupancy rate of Klang Valley hotels was registered at 64.12%, slightly higher, about 2.45%, from the previous quarter.

Occupancy for 5-star hotels during 4Q2010 was 73.17%, slightly higher from 70.24% during 3Q2010, while that for 4-star and 3-star properties were 70.04% and 77.23% respectively, up from 69.00% and 70.44% respectively during 3Q2010.

Overall, the three segments showed improvement in 4Q2010 with the 3-star recording the biggest improvement in terms of occupancy from the previous quarter.

Average Room Rate



Source: Zerin Properties Research

The Average Room Rate (ARR) for 5-star hotels in Kuala Lumpur was recorded at RM371 in 4Q2010; representing a slight increment from RM368 recorded in the corresponding period of 2009.

Meanwhile, ARR for 4 and 3-star hotels during 4Q2010 were RM233 and RM162, respectively. This compares to average room rates of RM222 for 4-star hotels and RM159 for 3-star hotels during 4Q2009.

This shows that the average rates for 5-star, 4-star and 3-star are on upward trend.

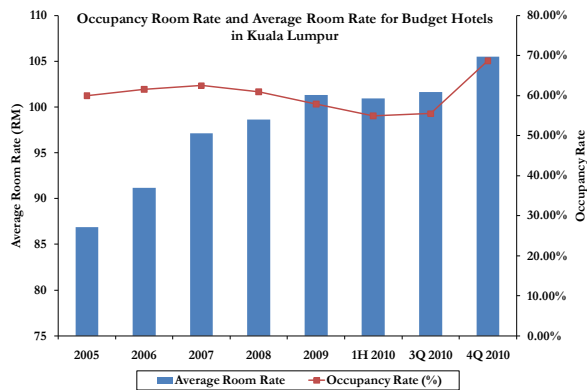
Budget Hotel

As of end 4Q2010, there were 36 budget hotels with a total of 5,128 rooms in Kuala Lumpur. There was no completion of new hotels under this category during this particular quarter.

Occupancy Rate & Average Room Rate

Occupancy for budget hotels in Kuala Lumpur during 4Q2010 was 68.67%, up from 55.50% during 3Q2010. This shows a significant increase of about 13.17% in occupancy for budget hotels, indicating growing demand for this particular type of hotels.

Meanwhile the Average Room Rate (ARR) for budget hotels revolved around the range of RM100 during the fourth quarter of both 2010 and 2009.



Source: Zerin Properties Research

Serviced Apartments

At present, there are 26 service apartment properties with a total of 4,399 units in Kuala Lumpur.

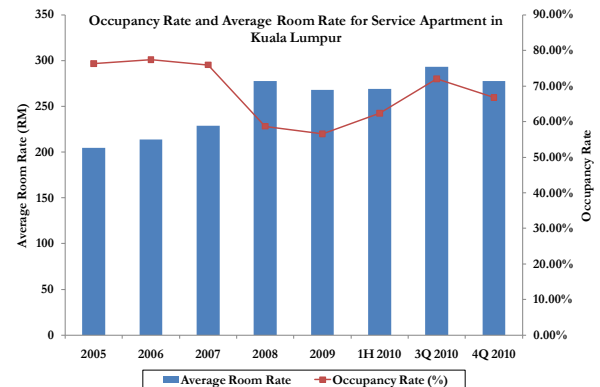
During 4Q2010, a service apartment was opened for business. It was the 207-room Somerset Ampang Kuala Lumpur that is located at the Embassy Row of Jalan Ampang.

The supply of service apartments in Kuala Lumpur is expected to grow significantly in the near future with new developments that are in pipeline.

Occupancy Rate & Average Room Rate

Occupancy for service apartments in Kuala Lumpur during 4Q2010 was 66.82%, declined from 72.07% during 3Q2010.

Meanwhile the Average Room Rate (ARR) for service apartments was at RM278 during the 4Q2010, up from RM263 in 4Q2009. This shows an increase of about 6.00%.



Source: Zerin Properties Research

Outlook

The hospitality market in Kuala Lumpur remained generally positive during 4Q2010 due to the holiday season.

The 3-star and budget hotel showed the biggest improvement in terms of occupancy from the previous quarter. This is followed by the 4-star and 5-star which recorded a slight increase in occupancy. In general, 4Q2010 indicates a growing demand for cheaper accommodations.

The arrival of new brands and growth in supply of hotel rooms expected to give a new facelift to Kuala Lumpur City and making it competitive in the global market.