

KLANG VALLEY HOSPITALITY MARKET 4Q 2011

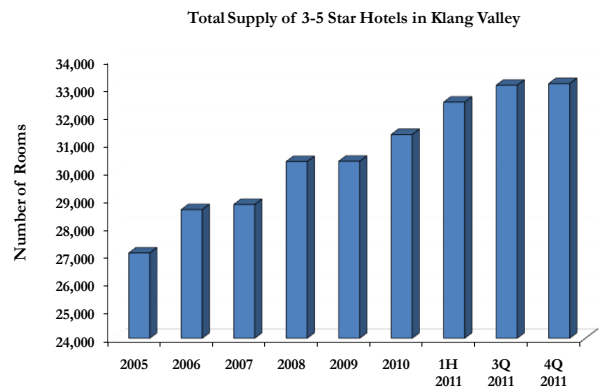
Malaysian hospitality sector performed reasonably well during the last quarter of 2011 due to the improvement in the tourism industry. The tourism industry reached the target of 24 million arrivals for year 2011 as anticipated by the Tourism Ministry. Malaysia's tourism for year 2011 recorded an increased number of tourist arrivals of 24.7 million tourist and RM58.3 billion in receipts compared to previous year; 2010 (Tourism arrivals: 24.6 million; Receipts: RM56.5 billion). The figures show an improvement of 0.6% in terms of tourist arrivals and 3.19% in receipts year-on-year.

The Government's rigorous efforts to attract more tourist arrivals and the recently announced Budget 2012 resulted in growing optimism in the local hospitality industry. The Government announced in the Budget 2012 that new investments in 4 and 5 Star hotels in Peninsular Malaysia will be given tax incentives in line with what is currently offered in Sabah and Sarawak whereby hotel operators will be given Pioneer Status with income tax exemption of 70% or Investment Tax Allowance of 60% for 5 years. This move is expected to assist the private sector in providing more accommodation to attract high spending tourists. In addition, the Government also announced the Malaysia Healthcare Travel Council will be corporatized in order to promote and develop Malaysia as a main destination for healthcare services in this region.

SUPPLY & DEMAND

As of end 2011, there were a total of 39,090 hotel rooms in Klang Valley, from which about 28,205 rooms or 72.15% are located within Kuala Lumpur City (KLC) and the remaining 27.85% (10,885 rooms) are located outside the Kuala Lumpur City (OKLC).

The current supply of 3-star, 4-star and 5-star hotel rooms in Klang Valley stands at 8,651, 12,751 and 11,724 respectively. As for the budget hotel, presently there are about 5,964 rooms within Kuala Lumpur City. There is an increase in our total supply of hotel rooms in this quarter due to addition of a new budget hotel located at Jalan Pudu, Kuala Lumpur namely Hotel Sentral Pudu which comprises 168-rooms.



Source: Zerin Properties Research

During the fourth quarter of 2011, there were a number of hotels that was in the midst of upgrading and expansion works namely the Grand Dorsett Subang Hotel and Impiana KLCC Hotel. The refurbishment works for both hotels are scheduled to be completed in early 2012. Meanwhile, Hotel Equatorial Kuala Lumpur has announced to undergo major makeover commencing from 1 April 2012, where it will be closed, demolished and a brand new development comprising an office and hotel will be built upon.

A number of announcement on new hotel projects were made during the last quarter of 2011. The International hotel operator Accor announced its plans to establish 10 new hotels in Malaysia with four of them located in Klang Valley. The 4 hotels to be established in Klang Valley region announced together with their forecasted date of completion are: 513-rooms Pullman Kuala Lumpur (2012); 187-rooms Novotel Klang Valley 1Gateway (2013); 500-rooms Ibis Styles Fraser Business Park Kuala Lumpur (2012); and 156-rooms Ibis Styles Cheras (2012).

Holiday Villa Hotels and Resorts Group also announced its plan to tap the increasing number of medical tourists for its new hotel project, Holiday Villa Kuala Lumpur City Centre. The 203-rooms Holiday Villa KLCC is located at Jalan Mayang and is scheduled to open in 2013.

Sunrise Bhd, a subsidiary of UEM Land Holdings unveiled its latest project, Angkasa Raya. The Angkasa Raya development will be located on the former site of Wisma Angkasa Raya site, situated at the intersection of Jalan Ampang and Jalan P Ramlee. The development will comprise a 65-storey of Grade A premium office, a luxury hotel with over 200 five star suites, over 280 high-end serviced residence, signature retail spaces and three sky levels.

The last quarter also witnessed the announcement by the Kuala Lumpur City Mayor on the world famous department store Harrods' plan to open a 'Harrods Hotel' in Kuala Lumpur. The hotel is said to be build by a consortium of three developers but nothing is finalised as the submission for the Harrods project is yet to be made. According to the Mayor, the hotel will be located at Jalan Conlay, near the Restaurant Seri Melayu.

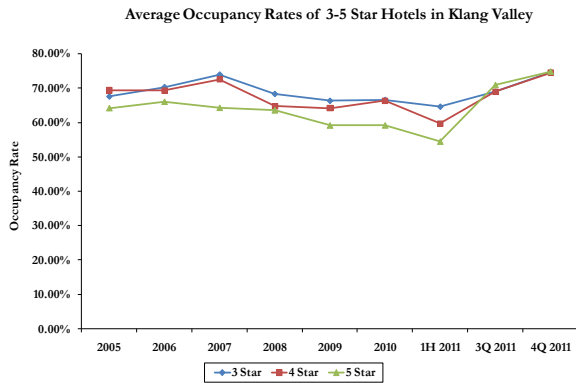
A number of new hotel projects are in different stage of development. The following table shows the anticipated future supply of hotels in Klang Valley.

Future Supply of Hotels in Klang Valley

NAME	LOCATION	RATING	NO. of ROOMS	EXPECTED COMPLETION DATE
KUALA LUMPUR CITY				
Pullman Kuala Lumpur Bangsar	Pantai Baharu, Bangsar	5	513	Early 2013
Best Western Premier Dua Sentral	Jln Tun Sambanthan, KL	4	362	2Q 2012
Grand Hyatt Hotel	Jln Pinang, KL	5	450	2012
Majestic Hotel Kuala Lumpur	Jln Sultan Hishamuddin	N/A	Existing + 320 rooms (new)	2012
Aloft Hotel	KL Sentral	4	482	4Q 2012
Vivatel	Jln Loke Yew, KL	4	260	End of 2012
Best Western Bangsar	Bangsar, KL	3	216	2013
All Seasons Hotel	C180, Jln Cheras Perdana, Cheras, KL	Business Hotel	N/A	2013
Holiday Villa Kuala Lumpur City Centre	Jalan Mayang, off Jalan Yap Kwan Seng, KL	4	203	2013
St Regis Hotel	Jln Travers, KL	6	208	End of 2014
The Infinity (Announced)	Sungai Besi, KL	4	N/A	2014
Arcoris Mon't Kiara	Jln Kiara, Mon't Kiara, KL	Boutique Hotel	275	2015
W Hotel	Jln Ampang, KL	6	150	2016
Banyan Tree Signatures Pavilion Kuala Lumpur	Jln Conlay, KL	N/A	50	2015
Platinum Park	Jln Binjai, KLCC	5	350	2016/2017
Datum Jelatek	Jln Jelatek, Pusat Bdr Dato Keramat, KL	N/A	N/A	2016
Lot 12, PJ Sentral Garden City	Section 52, Petaling Jaya	Business Hotel	N/A	2016
OUTSIDE KUALA LUMPUR CITY				
Royale Bintang, Damansara (formerly Royale Bintang)	Mutiara Damansara	4	300	1Q 2012
Damansara City 2	Damansara Heights, Selangor	5	300	2014
The Olives Hotel	Subang Jaya	4	N/A	2012
Neo Damansara Phase 2	Damansara Perdana, Selangor	4	450	2012
Best Western Shah Alam	Shah Alam, Selangor	3	Under planning development	Q4 2012
Hilton Garden Inn@Millennia City	Puchong, Selangor	N/A	255	2013
Tune Hotel@D'Pulze	Persiaran Multimedia, Cyberjaya, Selangor	Budget Hotel	162	End of 2013
Movenpick Hotel & Convention Centre KLIA	Near to KL International Airport and F1 Sepang International Circuit (next to Sepang Holy Mosque)	N/A	333	Early 2014

Klang Valley Overall – 3 to 5 Star Hotels

Occupancy Rate



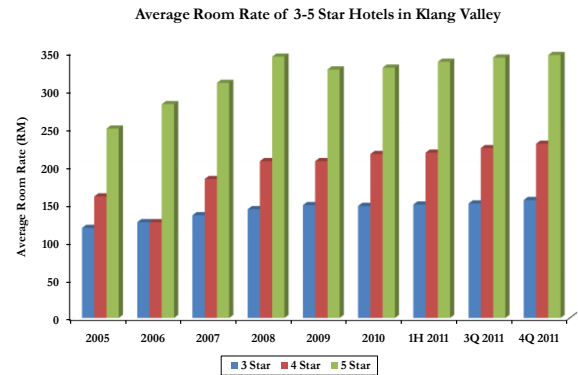
Source: Zerin Properties Research

Occupancy for 5-star hotels in Klang Valley during 4Q 2011 was at 74.88%, higher from 71% that was recorded during previous quarter and 59.25% during 4Q 2010.

The occupancy rate of both 4-star and 3-star were at 75% during the 4Q 2011, which increased from the previous quarter and the corresponding period last year. The occupancy rate for both 4-star and 3-star category was at 69% during 3Q 2011 and at 66% during 4Q 2010.

The same pattern was recorded for year-to-date performance whereby occupancy for all the 3-5 star hotels in Klang Valley improved slightly from year 2010. The occupancy for 3-star increased by 4.23% amounting to occupancy rate of 69.44%, the 4-star saw 2.11% increment to 67.75% occupancy rate and the 5-star hotels fared better at 66.81% as the occupancy rate increased by 12.76%.

Average Room Rate



Source: Zerin Properties Research

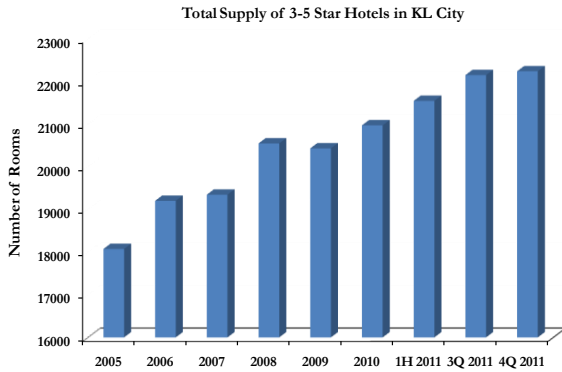
The average room rate (ARR) for 5-star hotels in Klang Valley was at RM346 in 4Q 2011 which is slightly higher than RM343 and RM330 that was recorded in previous quarter and 4Q 2010 respectively.

Meanwhile, the ARR for 4-star was at RM229 in 4Q 2011, slightly more than RM224 and RM216 that were recorded in 3Q 2011 and 4Q 2010 respectively. The ARR for 3-star hotels was at RM155, increased slightly more than RM150 and RM147 that were recorded in 3Q 2011 and 4Q 2010 respectively.

The year-to-date performance showed a slight increment for ARR by 3.4% for 3-star hotels (2011: RM152), 3.7% for 4-star (2011: RM224) and 3.64% for 5-star hotels (2011: RM342) when compared to year 2010.

Kuala Lumpur - 3 to 5 Star Hotels

Supply

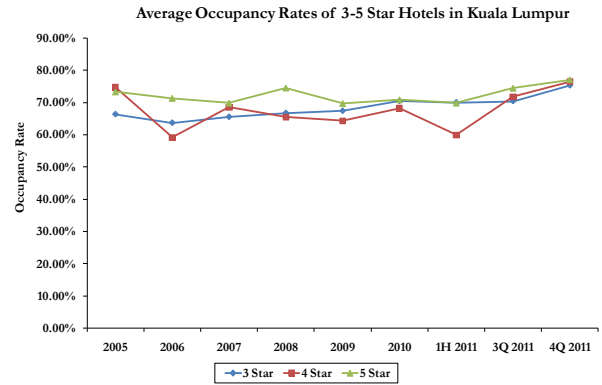


Source: Zerin Properties Research

As of December 2011, the total supply of 3 to 5 star hotel rooms in Kuala Lumpur was at 22,241, of which about 7,261 rooms or 32.65% falls under 5-star category while 9,805 rooms belongs to the 4-star category. The remaining 23.27% or 5,175 rooms are the 3-star rooms.

The addition of 507 rooms to the market via the Best Western Premier Dua Sentral is delayed from the initial opening date in 4Q 2011 to May 2012.

Occupancy Rate



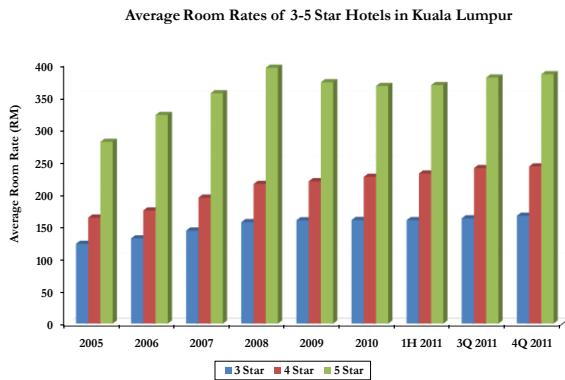
Source: Zerin Properties Research

The occupancy for 5-star hotels during 4Q 2011 was 77%, increased from 73.17% and 74.46% during 4Q 2010 and 3Q 2011 respectively. The 4-star hotels also followed the same trend whereby the occupancy rate increased to 76.47% from 71.79% in 3Q 2011 and 70% in 4Q 2010.

The 3-star segment increased to 75.37% in 4Q 2011 from 70.48% during previous quarter. However, it declined slightly from 77.23% that was recorded during the same period last year.

As for the year-to-date performance, the occupancy rate for 3-5 star hotels in Kuala Lumpur ascended slightly with the 3-star segment recorded an increase of 2.06% (2011: 71.98%), 4-star segment increased by 1.68% (2011: 69.40%) while the 5-star segment improved by 2.64% (2011: 72.81%).

Average Room Rate



Source: ZerIn Properties Research

Average room rates (ARR) for 3-star, 4-star and 5-star hotels in Kuala Lumpur during 4Q 2011 were RM166, RM242 and RM384 respectively. The average room rates for all the three segments recorded slight increment from the previous quarter whereby the ARR during 3Q 2011 for 3-star, 4-star and 5-star were at RM162, RM240 and RM380.

During 4Q 2010, average room rates for 3-star, 4-star and 5-star hotels were at RM162, RM233 and RM371 respectively.

The rates grew year-on-year for all the three segments. The 3-star recorded 2% increase to RM163, 4-star rates increased by 5.12% to RM238 and rates for 5-star hotels improved by 3% to RM377. Overall, the performance of the 3-star to 5-star hotels in Kuala Lumpur has improved when compared to the previous year.

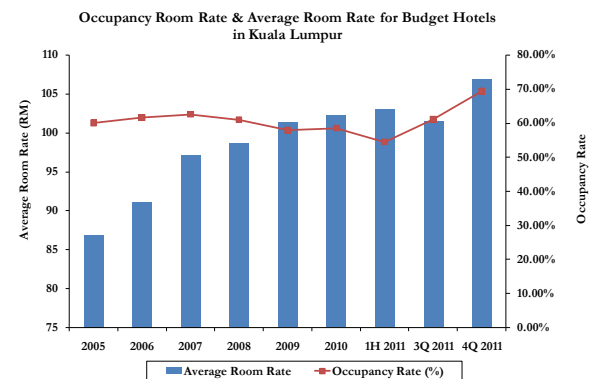
Budget Hotel – Kuala Lumpur

As of 4Q 2011, the total supply of budget hotel rooms in Kuala Lumpur stood at 5,964. There was addition of new budget hotel; Hotel Sentral Pudu that is located at Jalan Pudu, Kuala Lumpur. The hotel has 168-rooms and was opened during 1Q 2011.

Occupancy Rate & Average Room Rate

Occupancy for budget hotels in Kuala Lumpur during 4Q 2011 improved from 61% in 3Q 2011 and 68.67% in 4Q 2010 to 69.33%. Meanwhile the Average Room Rate (ARR) for budget hotels revolved around the range of RM100 during the fourth quarter of both 2011 and 2010 as well as in third quarter of 2011.

The year-to-date performance for budget hotels also improved with the increase of occupancy rate by 5.25% from previous year (2011: 61.58%). Meanwhile, the room rates remained around the range of RM100.



Source: ZerIn Properties Research

Serviced Apartment – Kuala Lumpur

At present, there are 27 service apartment properties with a total of 4,877 units in Kuala Lumpur. There was no service apartment that was completed during the fourth quarter of 2011.

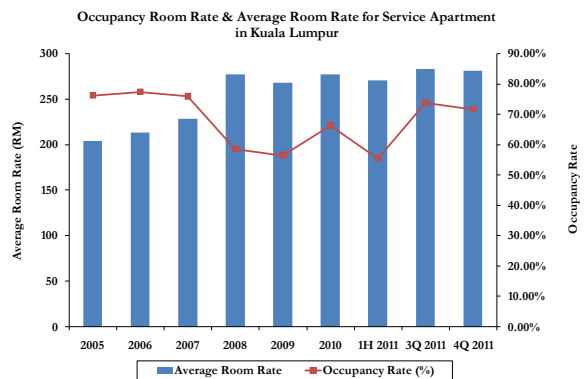
There are a number of serviced apartments that are scheduled to come on stream with the Ascott Group having four new serviced apartments under its arm with three of them located in Klang Valley. Meanwhile, Kiara 163 development at Mon't Kiara by YNH Property Bhd Group will include two service apartment blocks with 548 units which are scheduled to be completed in end of 2013.

Occupancy Rate & Average Room Rate

Occupancy for service apartments in Kuala Lumpur during 4Q 2011 was 71.72%, declined from 73.94% in 3Q 2011. However, the occupancy rate improved from 66.82% that was recorded in 4Q 2010.

Meanwhile, the average room rate (ARR) for service apartments was recorded at RM281 during 4Q 2011 around the same range during 3Q 2011. However, it increased from RM278 that was recorded during the same period last year.

Year-to-date performance for serviced apartments in Kuala Lumpur in terms of occupancy saw slight increment by 1.29% (2011: 66.74%). The ARR however was maintained at RM278.



Source: ZerIn Properties Research

Outlook

Overall, the performance of Klang Valley hospitality market improved with higher occupancy and average room rates particularly for the 3-5 Star hotel segments compared to previous quarter and the corresponding period in 2010.

The improved performance was mainly led by increased tourism arrivals due to the year-end holiday seasons as well as the great incentives that were announced during Budget 2012 to spur the hospitality industry and other initiatives being implemented by the Government via the Tourism Ministry.

The hospitality market is anticipated to continue with steady growth towards the year 2012. The industry will benefit from the multiplier effect that would arise as a result of implementation of the various measures proposed by the government under the 10MP and Budget 2012.