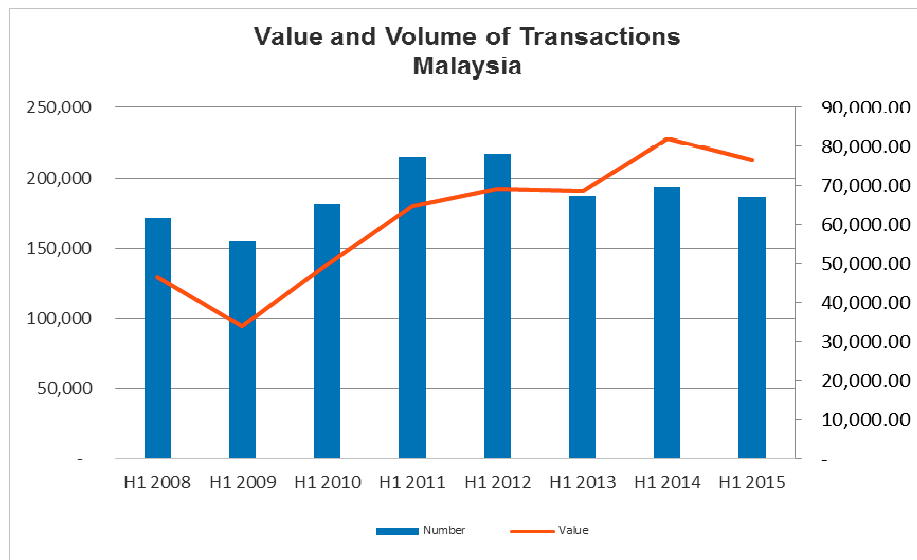
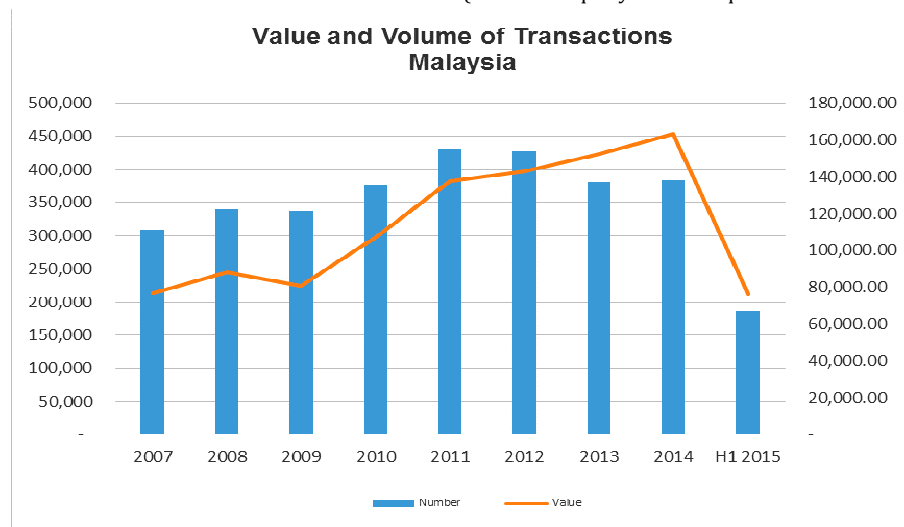


## GENERAL MALAYSIAN PROPERTY MARKET OVERVIEW

In line with the challenging economic and financial environment, the property market showed slight softening in market activities in the first half of 2015. A total of 186,661 transactions amounting to RM76,609.41 million were recorded in the first half of 2015. The total volume of transactions dropped 3.5% from 193,403 units during the same period in 2014 to 186,661 units in H1 2015 whilst the total transaction value dropped 6.6% from RM82,030.10 million in H1 2014 to RM76,609.4 million in same period in 2015.



(Source : Property Market Report First Half 2015)

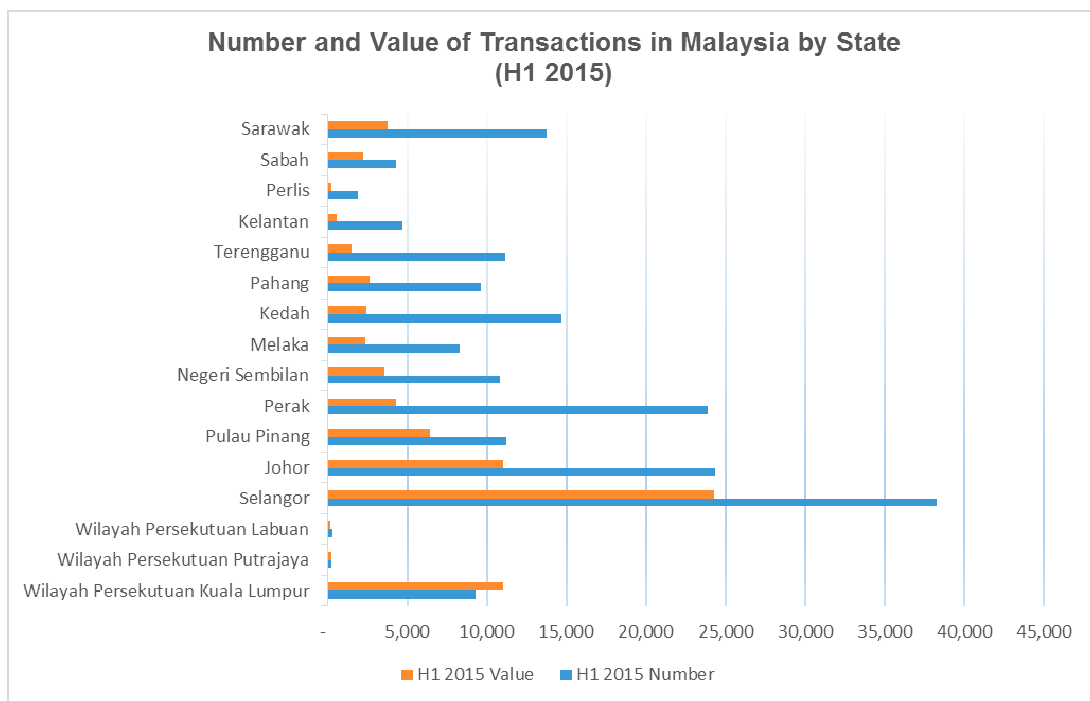


(Source : Property Market Reports 2007 - 2014)

An overview of the market activity showed continuous increase in number of transactions from year 2007 to 2011 due to the abolishment of Real Property Gains Tax in April 2007, introduction of Developer's Interest Bearing Scheme (DIBS), ease of financial facilities and other

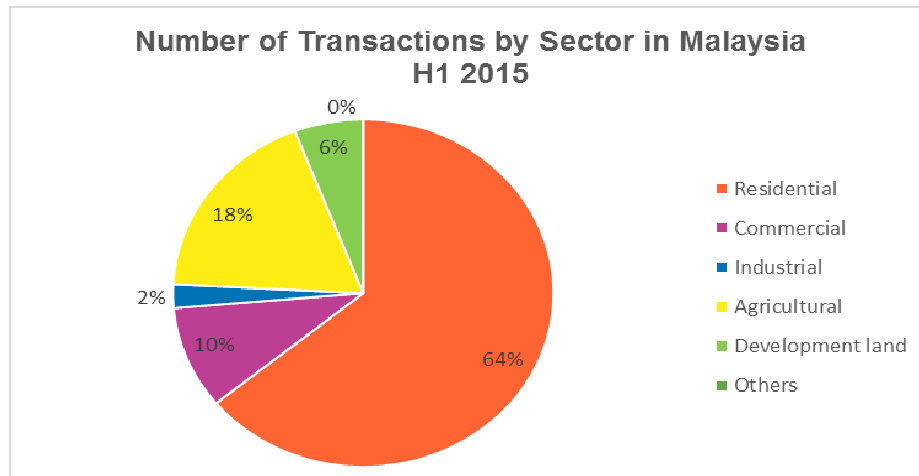
stimulus activities. However, gradual decline in the volume of transactions was observed from year 2012 onwards as a result of the impact of some cooling measures implemented by the Government from year 2010 onwards. Amongst the cooling measures implemented was reinstatement of the Real Property Gains Tax, tightening of credit guidelines on loans, introduction of loan-to value ratio of 70% on third property, assessment of income affordability based on net income instead of gross income, the increase of floor price for purchase of properties by foreigners, the prohibition of lending on DIBS (developers interest bearing scheme), etc.

Among the states in Malaysia, the most active in terms of number of property transactions is Selangor (20.5%), followed by Johor (13.0%) and Perak (12.8%). In terms of value, the highest total value of transactions is also recorded in the State of Selangor (RM24.39 billion), followed by Johor (RM11.02 billion) and Wilayah Persekutuan Kuala Lumpur (RM11.01 billion).



(Source : Property Market Report First Half 2015)

As at first half of 2015, the residential sector once again spearheaded the overall property market in terms of volume of transactions with 64.1% share, followed by the agriculture sector at 18.3%, commercial sector at 9.5%, development sector at 5.8% and industrial sector at 2.2%. In terms of value, the residential sector took the lead with 47.5% of total share, followed by commercial sector at 18.9% and development land sector at 15.9%.



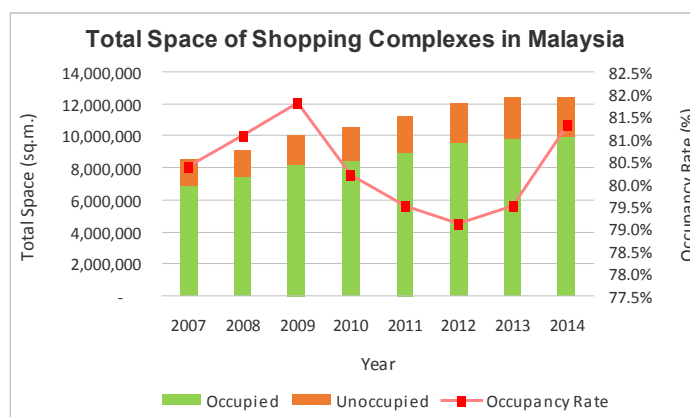
The performance of residential sector within the country declined with decreases registered in both total volume (2.6%) and total value (9.7%) of transactions. Major states such as Johor and Pulau Pinang registered decline in market activities whilst Wilayah Persekutuan Kuala Lumpur and Selangor similarly performed but the magnitude was minimal. The primary market also recorded a slowdown in new launches as major states such as Wilayah Persekutuan Kuala Lumpur, Selangor and Johor saw a substantial cutbacks in new launches in view of uncertain sentiments with regards to pre and post GST implementation. Selangor, Johor and Perak are the three leading states in the residential subsector in Malaysia. By type, the terraced houses is the most popular development (27.0% of the total) followed by condominium / apartment development (19.8% of the total). Sales performance moderated with the State of Selangor, Kuala Lumpur and Johor recording the highest number of property launches. It is observed that an almost equal share of landed properties (49.7%) and high rise properties (49.6%) were launched last year. The take-up rate of landed properties are noted to be higher as opposed to high rise properties. The overhang of residential properties declined as compared to year 2013 by 12.8% but the number of properties that remained unsold (under construction and unconstructed) rose by 6.0% and 8.5%. The State of Johor continued to have the highest number of overhang units in the country (30.2% of national total).

On the commercial subsector, a total of 17,794 transactions with total value of RM14.49 billion were recorded in the first half of 2015. This sector accounts for only 9.5% of total volume of transactions and 18.9% of total value of transactions in Malaysia. The number of transactions increased marginally 1.6% as compared to H1 2014. The total value of transactions, however, moved downwards by 10.7%. Selangor, Johor and Kuala Lumpur are the three leading states in the commercial subsector in Malaysia. Shop transactions dominated at 56.6% of the total commercial property transactions in the nation with Johor and Selangor having the highest transactions. The popular types of shop development are the 2 to 2.5-storey and 3 to 3.5-storey shops. The highest number of overhang units within the country are found within the State of Johor, followed by Negeri Sembilan and Melaka.

The retail sector remained firm as occupancy appears sustained. In terms of value and volume activity, the performance of the retail subsector showed a slight improvement. Average occupancy increased marginally to 81.6% (H1 2014 : 81.1%) whilst rentals remained stable. The only state that enjoys 100% occupancy is Perlis. Kuala Lumpur and Selangor are also enjoying encouraging occupancy rates of 86.5% and 86.4% respectively. Some of the major shopping complexes which were completed in year 2014 are IOI City Mall (by IOI Properties) in Selangor, NU Sentral (by MRCB and PHB) and Quill City Mall (Quill Group) in Kuala Lumpur, AEON Bukit Mertajam in Pulau Pinang, KIP Mart in Melaka, AEON Taiping and Taiping Mall in Perak, Palm Mall in Negeri Sembilan and Permaisuri Mall in Miri, Sarawak. Eight shopping complexes changed hands at RM892.66 million in total value during the review period. Some significant transactions are The Shore in Melaka, Subang Avenue and KL Festival Mall.

Supply and Occupancy of Shopping Complex in Malaysia (H1 2015)					
States	Existing Space (sq.m.)	Completion (sq.m.)	Occupied Space (sq.m.)	Occupancy Rate (%)	Unoccupied Space (sq.m.)
Malaysia	13,206,456	126,784	10,774,766	81.6	2,431,690
K.Lumpur	2,603,216	5,212	2,252,744	86.5	350,472
Putrajaya	61,090	0	51,289	84.0	360,273
Labuan	28,734	2,671	27,683	96.3	1,051
Selangor	3,019,857	25,130	2,610,496	86.4	409,361
Johor	1,660,763	0	1,273,584	76.7	387,179
P. Pinang	1,678,831	0	1,111,768	66.2	567,063
Perak	831,098	9,652	736,983	88.7	94,115
N.Sembilan	439,577	0	338,302	77.0	101,275
Melaka	399,852	0	332,922	83.3	168,205
Kedah	486,607	5,713	411,404	84.5	75,203
Pahang	272,809	1,255	217,238	79.6	55,571
Terengganu	115,398	0	82,585	71.6	32,813
Kelantan	224,890	1,560	200,734	89.3	24,156
Perlis	47,652	2,877	47,652	100.0	0
Sabah	654,918	75,591	531,780	81.2	123,138
Sarawak	681,164	0	547,602	80.4	133,562

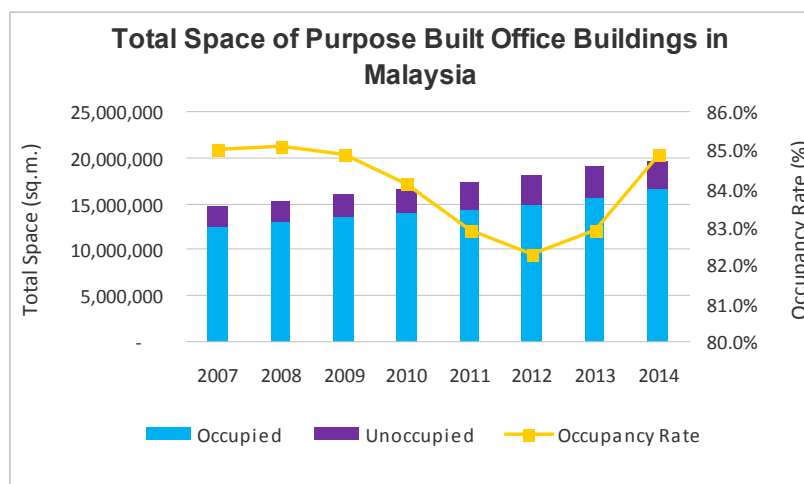
(Property Market Reports 2007-2014)



For the office building sector, average occupancy also increased marginally to 84.2% (1H 2014 : 83.8%) with positive take up rates. All states secured more than 80% occupancy rate. The State of Perlis recorded 100% occupancy rate followed by Kelantan (97.3%) and Terengganu (96.2%). Some of the new office buildings completed in year 2014 are Menara Kembar Bank Rakyat (KL Sentral), Menara Shell (KL Sentral), 1 Sentrum (KL Sentral), Menara Hap Seng 2 (Jalan P. Ramlee), Menara LBG (Taman Tun Dr Ismail) and Menara TSR (Mutiarra Damansara).

Supply and Occupancy of Office Buildings in Malaysia (H1 2015)					
States	Existing Space (sq.m.)	Completion In 2014	Occupied Space (sq.m.)	Occupancy Rate (%)	Unoccupied Space (sq.m.)
Malaysia	19,779,301	310,285	16,645,457	84.2	3,133,844
K.Lumpur	8,257,055	240,479	6,689,406	81.0	1,567,649
Putrajaya	2,022,433	26,145	1,928,921	95.2	93,512
Labuan	66,157	0	53,303	80.6	12,854
Selangor	3,049,090	9,659	2,358,018	77.3	691,072
Johor	1,036,350	28,200	846,886	79.6	189,464
P. Pinang	1,105,459	0	878,217	79.4	227,242
Perak	613,463	4,955	584,412	95.3	29,051
N.Sembilan	294,165	0	277,545	94.4	116,620
Melaka	398,487	0	324,255	81.4	74,232
Kedah	339,243	0	313,622	92.4	25,621
Pahang	397,067	0	348,200	87.7	48,867
Terengganu	336,898	0	323,942	96.2	12,956
Kelantan	380,067	0	369,791	97.3	10,276
Perlis	131,038	847	131,038	100.0	0
Sabah	671,674	0	606,551	90.3	65,123
Sarawak	649,255	0	611,350	94.2	37,905

(Property Market Reports 2007-2014)



Developers are deferring new launches and revising sales targets in view of the impending implementation of new cooling measures. The stricter guidelines would give more bite and are expected to weed out speculation. The high-rise segment will experience more impact as compared to landed properties.

The uncertainty of the GST effect on the property prices is seen to be the hold back factor amongst the buyers. The implementation of Goods and Service Tax (GST) on April 1, 2015 appears to have an adverse effect on the property prices, causing a rise in living cost and inflation. All building materials and services are subject to GST with a standard rate of 6% and this will invariably raise the production cost for developers. Hence, the government may have to counter-balance the effect of GST on house prices with other measures to sustain a healthy growth in the property market. A favourable point for the construction industry is the drop in fuel and metal prices which would eventually lead to a decline in material costs and hence production costs.

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