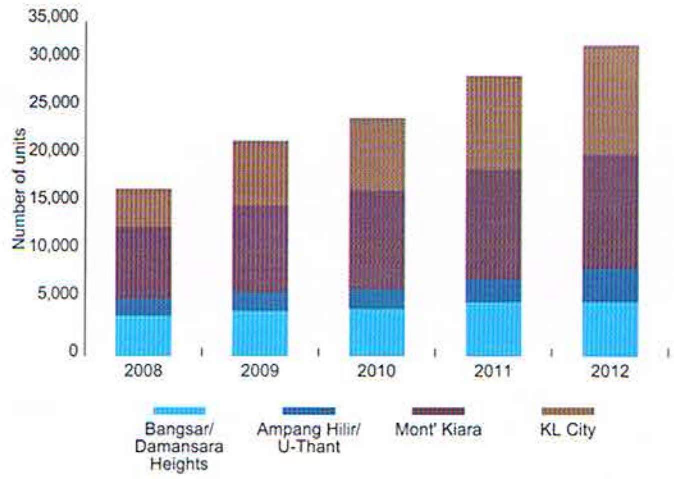
KUALA LUMPUR HIGH END CONDOMINIUM MARKET

Market Indications

The year 2010 started off on a positive note, with the economy registering a robust growth of 10.1% in the first quarter, the fastest in a decade following the commendable expansion of 4.5% recorded in 4Q2009. With economic recovery on the right track, both developers' and buyers' confidence have been renewed. There has been revived interest in the high end condominium market as reflected in the fairly successful launches in 2H2009 and 1H2010, with more developers undertaking re-branding and repositioning exercises of previously deferred projects.

During this review period, Bank Negara Malaysia revised its Overnight Policy Rate (OPR) twice, from 2% to 2.25% on 4th March 2010 and again from 2.25% to 2.50% on 13th May 2010. These marginal increases are not expected to have negative impact on property sales, it is primarily seen as a move to stabilise inflation and normalise monetary conditions whilst remaining accommodative and supportive of economic growth.

Figure 1
Projection of Cumulative Supply for High End Condominiums
2008 - 2012



Source: KF Research

Supply & Demand

The existing supply of high end condominiums in Kuala Lumpur stands at 22,739 units. The only new completion noted in this review period is Gateway Kiaramas (168 units) located in Mont' Kiara. In the short to medium term, the majority of supply in the pipeline is located in the KLCC and Mont' Kiara areas. Projects scheduled for completion in 2H2010 include myHabitat2 (215 units), Troika (229 units), Ampersand @ Kia Peng (71 units), Hampshire Place (186 units) and Taragon Puteri KL (152 units) in KL City; Verve Suites Tower B (188 units), Kiara 3 (160 units), Lumina Kiara (104 units) and Seni Mont Kiara (604 units) in Mont' Kiara locality.

New launches identified during the review period include Casa Residency, Seri Ampang Hilir, Verve Suites Vox Tower (Tower D), One Kiara, Kiaramas Danai, The Pearl @ KL city centre and Verticas Residensi (Tower B). Proposed launches planned for later this year in KL City include M Suites @ Jalan Ampang, Dedaun, 6CapSquare, Vue Residences, sixceylon, Arata of Tijani, JSI Serviced Condominium and Madge Mansions. Due to the stiff market competition, some developers are now focusing on niche and lower density developments, such as, Dedaun and sixceylon.

In the Mont' Kiara locality, The Icon Residence is scheduled to be launched in the coming 2H2010.

Improved buyers' confidence is evident by the strong sales response in the suburbs noted in projects such as One Kiara (Tower A) and Seri Ampang Hilir which reportedly achieved high take up rates of more than 80%. Verve Suites Vox Tower (Tower D), which was only launched in June 2010, has managed to achieve an impressive sales rate of 76%. Meanwhile, projects in the KL City locality which registered encouraging sales of more than 50% include Verticas Residensi and The Pearl @ KL city centre.

Prices & Rentals

Amidst the revived interest in this market segment, prices and rentals were noted to be generally stable during the review period with selected schemes showing marginal increments in pricing. With more new upcoming launches expected in the short to medium term as well as the impending high number of completions, buyers and tenants will continue to benefit from competitive sales and tenancy terms.

Table 1
Asking Prices and Rentals of Existing High End Condominiums

Locality	Asking Gross Rent (RM psf/month)	Asking Selling Price (RM psf)
KL City	3.00 - 6.00	650 - 1,700
Ampang Hilir/U-Thant	3.00 - 4.00	500 - 900
Damansara Heights	3.50 - 4.00	400 - 650
Kenny Hills	3.20 - 4.50	450 - 900
Bangsar	2.00 - 4.20	400 - 1,100
Mont' Kiara	2.00 - 3.20	400 - 600 *

* Excludes Verve Suites which comprise mainly of fully furnished small units

Outlook

General market movement is primarily seen as optimistic in comparison to the same review period in 2009. The high end condominium market has bottomed and with recovery setting in, further improvement is expected by the end of the year or early next year. Most developers have changed their game plan from prudently deferring their planned projects earlier to actively updating and revamping their proposals, with several launches planned in the next six months. Demand is predicted to grow gradually in selected markets and locations, particularly for projects by reputable developers with marginal price appreciation expected in newly completed projects whilst the rental market is expected to remain competitive in view of the high impending supply coming on stream within the next three years.