

KLANG VALLEY HOSPITALITY MARKET 2Q 2011

Malaysian hospitality sector, particularly Klang Valley hospitality, continued to thrive into second quarter of 2011 thanks to Malaysia's increasing popularity as a famous tourist destination whereby it was positioned in ninth place as the most visited country last year. Furthermore, the hospitality sector also enjoys the benefits arising from the tourism sector being earmarked as a National Key Economic Area (NKEA) through which the Malaysian government envision to grow the Gross National Income (GNI) contribution of the tourism sector which is already the second largest foreign currency earner for the country, to reach RM103.6 billion or USD\$34.2 billion target in 2020.

The remarkable tourist arrivals of 24.6 million and tourism receipts of RM56.5 billion that was recorded last year have resulted in Tourism Ministry to be confident to achieve 25 million arrivals and RM60 billion in tourism receipts for year 2011.

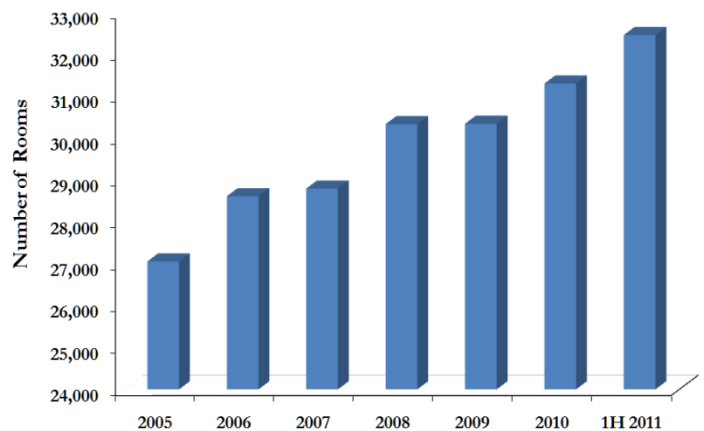
The Malaysia Convention and Exhibition Bureau's (MyCEB) recent winning of bids for over 25 international and regional conventions are expected to generate more than RM430 million income for Malaysia between 2011 and 2016. This will greatly enhance Malaysia's vision to achieve the RM10.3 billion target by 2020 and also to place the country in top 5 list as Asia Pacific's popular destination for international meetings.

SUPPLY & DEMAND

As of June 2011, there were a total of 38,253 hotel rooms in Klang Valley, from which about 27,338 rooms or 71.47% are located within Kuala Lumpur City (KLC) and the remaining 28.53% (10,915 rooms) is 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 8,510, 12,228 and 11,724 respectively. As for the budget hotel, presently there are about 5,791 rooms within Kuala Lumpur City. There is an increase in our total supply of hotel rooms in this quarter due to addition of two existing budget hotels namely Regency Hotel KL and Sentral Hotel Brickfields.

Total Supply of 3-5 Star Hotels in Klang Valley



Source: Zerin Properties Research

There were a number of hotels which was undergoing upgrading and expansion works during the second quarter of 2011. Hilton Petaling Jaya witnessed the commencement of its major renovation in more than a decade during the 2Q 2011. The renovation which involves all guest rooms, meeting rooms and ballroom is touted to cost about RM50 million and is expected to be completed in August 2012. Hilton Petaling Jaya was managed by Hilton Group for past 27 years and will continue to manage it until end of December 2025.

The Intercontinental Kuala Lumpur which replaced the Nikko Hotel, underwent 18-month refurbishment during the quarter to renovate the 147-seat Japanese Restaurant Tatsu, the suites and lobby of the hotel. The renovation of the restaurant alone is estimated to be around RM3 million.

Meanwhile, the Impiana KLCC Hotel was also undergoing upgrading and expansion works to add another 180 rooms to the 335-room hotel which is expected to be completed by 1 April 2012.

Recently, Movenpick Hotels & Resorts signed a management agreement to operate the 9 storey, 333-room Movenpick Hotel & Convention Centre KLIA. The hotel will be conveniently located a few minutes from Kuala Lumpur International Airport and the F1 Sepang International Circuit and is expected to open in early 2014.

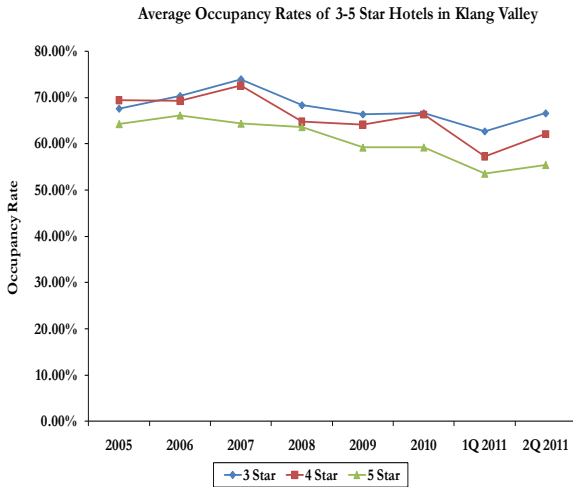
A number of new hotels projects are in different stage of development. The following table shows the anticipated future supply of hotels in Klang Valley.

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	515	2011
Taragon Puteri (Park Regis)	Pudu, KL	4	445	1H 2011
Best Western Premier Dua Sentral	Jln Tun Sambanthan, KL	4	361	Q4 2011
Grand Hyatt Hotel	Jln Pinang, KL	5	450	2012
Majestic Hotel Kuala Lumpur	Jln Sultan Hishamuddin	N/A	Existing + 320 rooms (new)	2012
Lot G	KL Sentral	4	482	2Q 2012
Vivatel	Jln Loke Yew, KL	4	260	End of 2012
Best Western Bangsar	Bangsar, KL	3	216	2013
St Regis Hotel	Jln Travers, KL	6	208	2014
W Hotel	Jln Ampang, KL	6	150	2016
Platinum Park	Jln Binjai, KLCC	5	350	2016/2017
OUTSIDE KUALA LUMPUR CITY				
Royale Bintang, Damansara	Mutiara Damansara	4	300	2011
Damansara City 2	Damansara Heights, Selangor	5	300	2012
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
D'Pulze	Persiaran Multimedia, Cyberjaya, Selangor	4	482	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

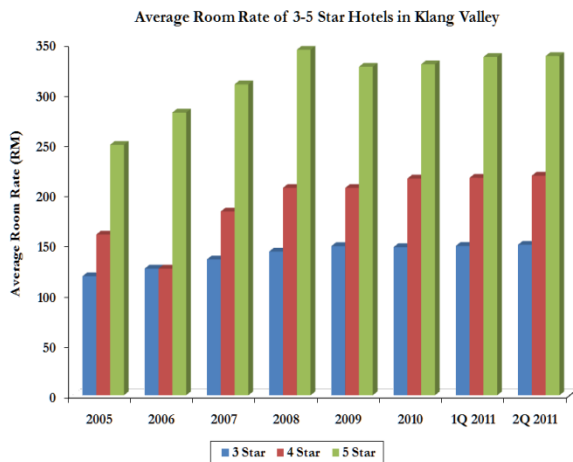


Source: ZerIn Properties Research

Occupancy for 5-star hotels in Klang Valley during 2Q 2011 was 55.49% slightly higher from 53.62% that was recorded during previous quarter but decreased slightly about 3% from 2Q 2010. 4-star hotels also followed the same trend whereby the 62.13% occupancy that was recorded in 2Q 2011 was higher than 57.32% in Q1 2011 but declined slightly from 65.25% in 2Q 2010.

The 3-star hotels segment achieved highest occupancy of all three segments, at 66.61% in 2Q 2011, improved from 62.73% in 1Q 2011 and 64.63% in 2Q 2010.

Average Room Rate



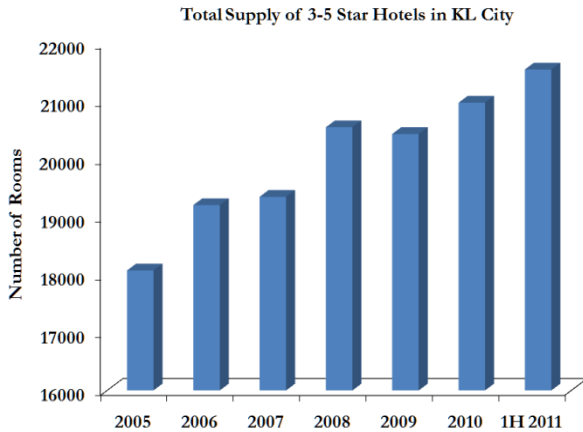
Source: ZerIn Properties Research

The average room rate (ARR) for 5-star hotels in Klang Valley was at RM338 in 2Q 2011 which maintained about the same rate as in previous quarter but higher than RM322 in 2Q 2010.

Meanwhile, the ARR for 4-star was at RM219 in 2Q 2011, slightly more than RM217 and RM215 that were recorded in 1Q 2011 and 2Q 2010 respectively. The ARR for 3-star hotels was at RM150, about the same rate during 2Q 2011 and 1Q 2011 but higher than ARR in 2Q 2010 which was at RM146.

Kuala Lumpur - 3 to 5 Star Hotels

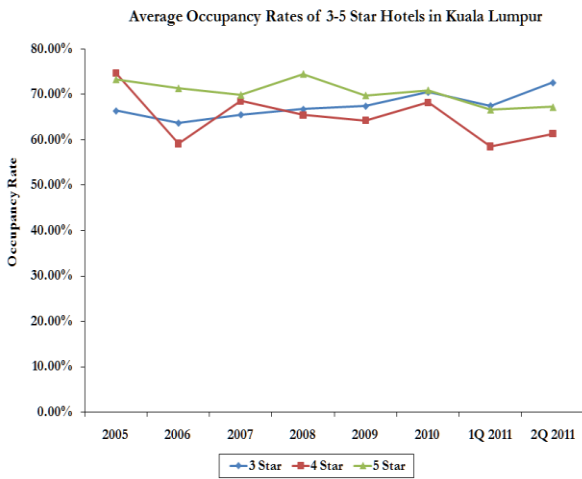
Supply



Source: Zerín Properties Research

As of June 2011, the total supply of 3 to 5 star hotel rooms in Kuala Lumpur stood at 21,547, of which about 7,261 rooms or 33.70% falls under 5-star category while 9,282 rooms belongs to the 4-star category. The remaining 23.22% or 5,004 rooms are the 3-star rooms.

Occupancy Rate

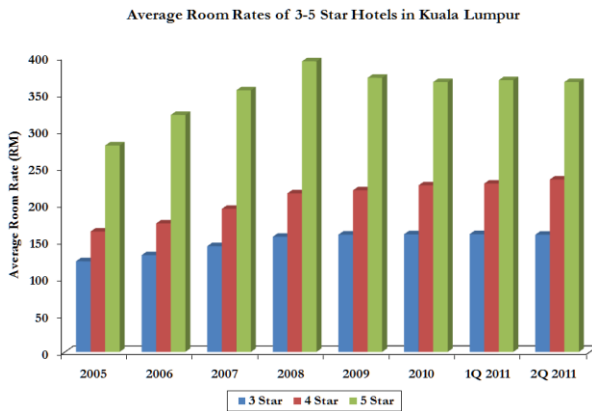


Source: Zerín Properties Research

The occupancy for 5-star hotels during 2Q 2011 was 67.23%, compared to 67.16% during the same period last year and 66.65% in 1Q 2011. The 4-star hotels however declined from 67.19% in 2Q 2010 to 61.33% in 2Q 2011 but improved from 58.55% that was recorded in previous quarter.

The largest improvement in performance was in the 3-star segment whereby it recorded 72.62% of occupancy in 2Q 2011, compared to 67.55% in 1Q 2011 and 69.62% in 2Q 2010.

Average Room Rate



Source: Zerin Properties Research

Average room rates (ARR) for 3-star, 4-star and 5-star hotels in Kuala Lumpur during 2Q 2011 were RM160, RM234 and RM366 respectively. The average room rates for both 3-star and 5-star during 1Q 2011 are about the same range as recorded during 2Q 2011, while the 4-star ARR was slightly lower at RM228.

During 2Q 2010, average room rates for 3-star, 4-star and 5-star hotels were at RM156, RM225 and RM360 respectively. This indicates the rates grew year-on-year for all three segments.

Overall, the performance of the 3-star and 5-star hotels in Kuala Lumpur during 2Q 2011 has improved when compared to the corresponding period in 2010.

Budget Hotel – Kuala Lumpur

As of 2Q 2011, the total supply of budget hotel rooms in Kuala Lumpur stood at 5,791. There was no completion of new hotels under this category during this particular period.

Occupancy Rate & Average Room Rate

Occupancy for budget hotels in Kuala Lumpur during 2Q 2011 improved from 51.38% in 1Q 2011 to 57.41% but declined slightly from 59.31% that was recorded during 2Q 2010.

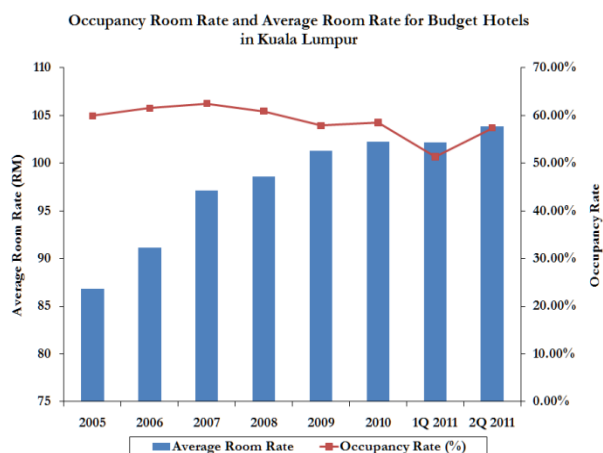
Meanwhile the Average Room Rate (ARR) for budget hotels revolved around the range of RM100 during the second quarter of both 2011 and 2010 as well as in first quarter of 2011.

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 second quarter of 2011.

Recently, the Serviced Apartment operator Ascott International Management Pte Ltd, a member of CapitaLand, announced that it expects to more than double the number of rooms it manages in Malaysia by 2016.

The Ascott Group plans to make grand entrance in Damansara through its 200-unit Somerset Damansara Uptown Petaling Jaya which is slated to open in 2016.



Source: Zerin Properties Research

Occupancy Rate & Average Room Rate

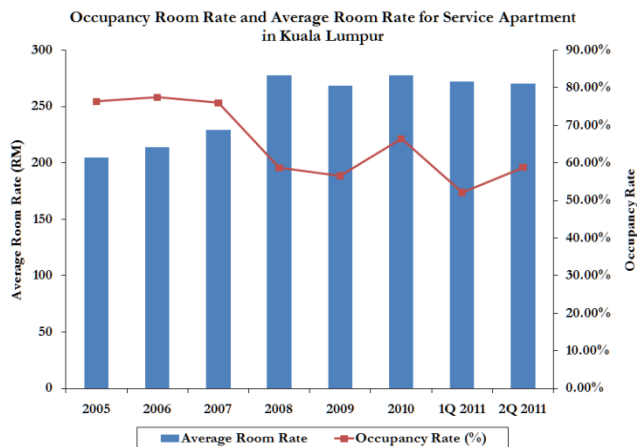
Occupancy for service apartments in Kuala Lumpur during 2Q 2011 was 58.83%, increased from 52.14% in 1Q 2011 but declined from 64.00% in 2Q 2010.

Meanwhile, the average room rate (ARR) for service apartments was recorded at RM270 during 2Q 2011. The same range of average room rate was recorded for service apartments during the 1Q 2011 and 2Q 2010.

Outlook

Overall, the Klang Valley hospitality market performed well during 2Q 2011 when compared to the same period last year and as well as the previous quarter.

The third quarter of 2011 is expected to perform much well than the second quarter as a result of the many initiatives being implemented by the government under the ETP Programme, Budget 2011 the Middle East Season.



Source: Zerin Properties Research