

KLANG VALLEY HOSPITALITY MARKET 1Q 2012

The year 2011 recorded encouraging growth in tourism with tourist arrivals rose to 24.7 million compared to 24.6 million in 2010 while the tourist receipts climbed to RM58.3 billion from RM56.5 billion the previous year. This is in accordance with the **'Malaysia Tourism Transformation Plan 2020'** of achieving 36 million tourist arrivals and RM168 billion receipts by year 2020.

The Ministry of Tourism is anticipating more arrivals in year 2012 and sets the mark at 25 million. The ministry is upbeat about tourism industry due to the growing image of Malaysia as one of the 'Top and Luxury Destination' at the international level, thanks to the Tourism Ministry which is aggressively promoting Malaysia as a luxury destination in bid to attract high yield tourists to the country. Moreover, the announcement of incentives for hospitality sector in Budget 2012 such as granting Pioneer status or investment tax allowance to investors undertaking new investments in 4 and 5 star hotels in Peninsular Malaysia are expected to further spice up the activities in local hospitality industry.

Malaysia's popularity as a medical tourism destination also witnessing a staggering growth with the number of foreigners seeking healthcare services increasing each year. Medical tourism in Malaysia recorded a whopping RM509.77 million in medical tourism receipts while foreign patients count was 578,403. Thus, Malaysia Healthcare Travel Council (MHTC) forecasted revenue

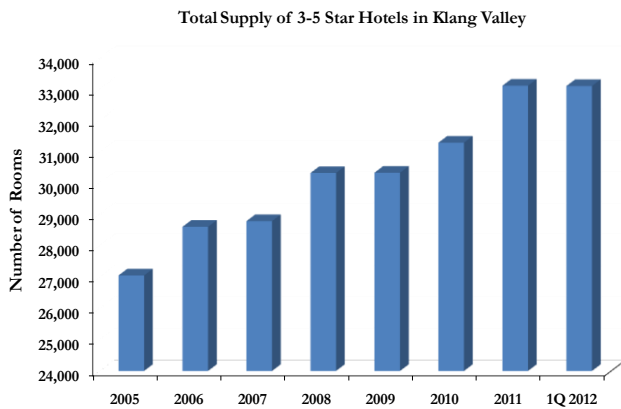
from medical tourism to reach RM548 million from a total of 600,000 patients in 2012.

In a recent announcement, Malaysian Association of Hotels (MAH) predicted that hotels in Malaysia will observe increases in occupancy, particularly those in the Kuala Lumpur City Centre whereby it is expected that the hotels will achieve an average occupancy rate of 68% for the year 2012, up from 65% in 2011.

SUPPLY & DEMAND

As of March 2012, there were a total of 39,080 hotel rooms in Klang Valley, from which about 28,205 rooms or 72.17% are located within Kuala Lumpur City (KLC) and the remaining 27.83% (10,875 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, 12,741 and 11,724 respectively. As for the budget hotel, presently there are about 5,964 rooms within Kuala Lumpur City. There were no new completions during this period.



Source: Zerin Properties Research

During the first quarter of 2012, Grand Dorsett Subang Hotel and Impiana KLCC Hotel were at the verge of completing the upgrading and expansions works whereby it is expected that both hotels will complete the works by mid 2012. On the other hand, it was announced that the 39-year-old Hotel Equatorial in Jalan Sultan Ismail will be demolished and a new hotel will be built in its place.

A new hotel brand called Wolo will make its debut in the city centre this year. The hotel is said will be a boutique-style hotel located in the Bukit Bintang area on the former Wisma KLIH site which was transacted in 2010 by Equine Capital Bhd to a company called Wonderful Vantage Sdn Bhd for RM58 million. The hotel is expected to start operations as early as July.

There are a number of hotels that were expected to open this year which include the 412-room Grand Hyatt Kuala Lumpur, 500-room Ibis Styles Fraser Business Park Kuala Lumpur, 362-room Best Western Premier Dua Sentral and the 260-room Vivatel Hotel Kuala Lumpur. The opening of the 513-room Pullman Bangsar Hotel has been delayed from this year to early 2013.

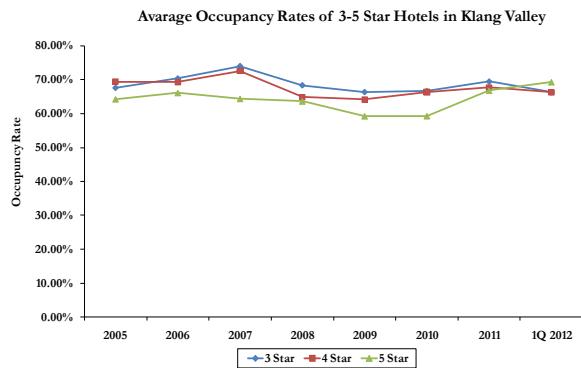
A number of new hotel projects are in different stage of development. The following table shows the anticipated future supply of hotels in Klang Valley.

Future Supply of Hotels in Klang Valley

NAME	LOCATION	RATING	NO. of ROOMS	EXPECTED COMPLETION DATE
KUALA LUMPUR CITY				
Best Western Premier Dua Sentral	Jln Tun Sambanthan, KL	4	362	2Q 2012
Ibis Styles Fraser Business Park	Off Jalan Tun Razak, KL	3	500	3Q 2012
Grand Hyatt Hotel	Jln Pinang, KL	5	450	2012
Majestic Hotel Kuala Lumpur	Jln Sultan Hishamuddin	N/A	Existing + 320 rooms (new)	2012
Vivatel	Jln Loke Yew, KL	4	260	End of 2012
Pullman Kuala Lumpur Bangsar	Pantai Baharu, Bangsar	5	513	Early 2013
Aloft Hotel	KL Sentral	4	482	1Q 2013
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 Surian)	Mutiara Damansara	4	300	2012
The Olives Hotel	Subang Jaya	4	N/A	2012
Best Western Shah Alam	Shah Alam, Selangor	3	Under planning development	Q4 2012
Ibis Styles Cheras	Cheras	3	156	2012
Novotel Klang Valley 1Gateway	Persiaran Raja Muda Musa, Klang	4	187	2013
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
Damansara City 2	Damansara Heights, Selangor	5	300	2014
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

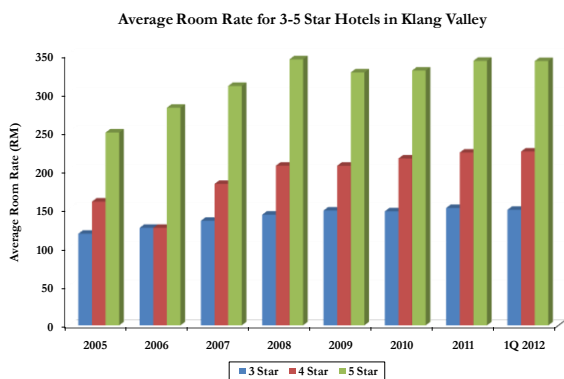


Source: ZerIn Properties Research

Occupancy for 5-star hotels in Klang Valley during 1Q 2012 was at 69.33%, decreased from 74.88% that was recorded during previous quarter. However, it increased from 53.62% that was recorded during the corresponding period last year.

The occupancy rate of both 4-star and 3-star were at 66.33% during the 1Q 2012 which declined from the previous quarter. The occupancy rate of both 4-star and 3-star was at 75% during 4Q 2011. Nevertheless, the occupancy rate of the 4-star and 3-star hotels improved from 57.32% and 62.73% respectively during the same period last year.

Average Room Rate



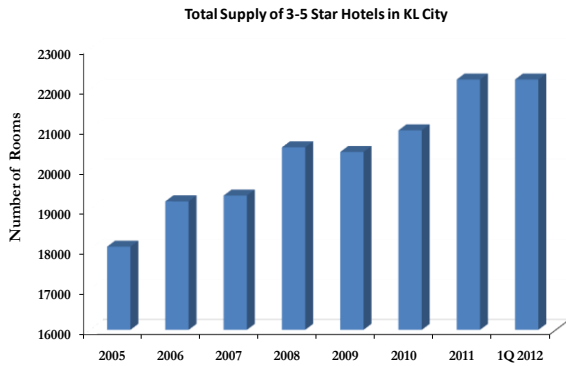
Source: ZerIn Properties Research

The average room rate (ARR) for 5-star hotels in Klang Valley was at RM342 in 1Q 2012 which is slightly lower than RM346 that was recorded in previous quarter but higher than RM337 in 1Q 2011.

Meanwhile, the ARR for 4-star was at RM225 during 1Q 2012, slightly lower than RM229 that was recorded in previous quarter but improved from RM217 in 1Q 2011. The ARR for 3-star hotels was at RM150, about the same rate during 1Q 2011 but lower than ARR in 4Q 2011 which was at RM155.

Kuala Lumpur - 3 to 5 Star Hotels

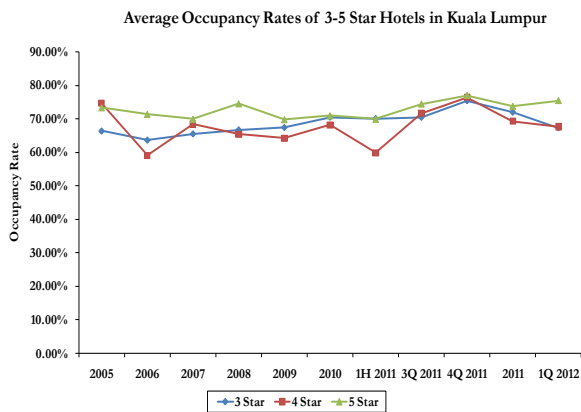
Supply



Source: Zerin Properties Research

As of March 2012, the total supply of 3 to 5 star hotel rooms in Kuala Lumpur stood 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.

Occupancy Rate

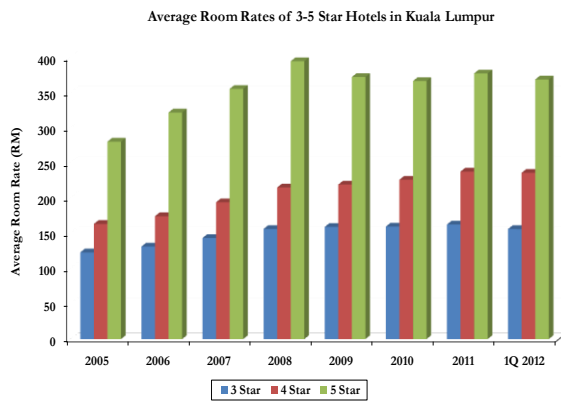


Source: Zerin Properties Research

The occupancy for 5-star hotels during 1Q 2012 was 75.51%, increased from 66.65% during the corresponding period last year but declined slightly from 77% in 4Q 2011. The 4-star hotels also followed the same trend whereby the occupancy rate increased to 67.77% from 58.55% in 1Q 2011 and declined from 76.47% that was recorded during previous quarter.

The 3-star segment maintained the occupancy rate at 67% in 1Q 2012, about the same range during the similar period in 2011. However, it decreased from 75.37% that was recorded during 4Q 2011.

Average Room Rate



Source: ZerIn Properties Research

Average room rates (ARR) for 3-star, 4-star and 5-star hotels in Kuala Lumpur during 1Q 2012 were at RM156, RM236 and RM370 respectively. The average room rates for all the three segments recorded slight decrement from the previous quarter whereby the ARR during 4Q 2011 for 3-star, 4-star and 5-star were at RM166, RM242 and RM384 respectively.

During 1Q 2011, average room rates for 3-star, 4-star and 5-star hotels were at RM160, RM229 and RM370 respectively. This indicates the rates grew year-on-year for the 4-star segment by 3% but maintained at the same range for 5-star and declined slightly by 2.5% for 3-star segment.

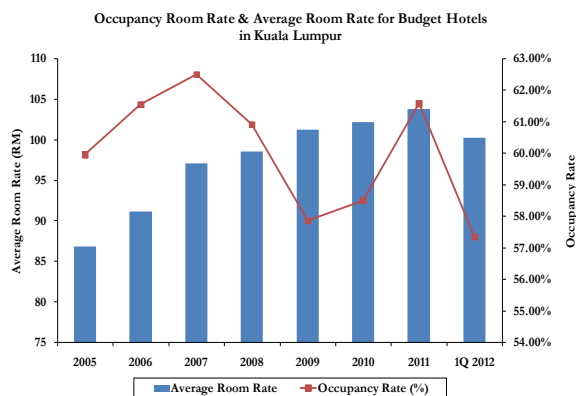
Overall, the performance of the 3-5 star hotels in Kuala Lumpur during 1Q 2012 has improved when compared to the corresponding period in 2011. Nevertheless, the performance of all the hotel segments fared better during previous quarter than in 1Q 2012 due to the year-end holidays. Besides that, the changes occurred in the flight schedules of both Malaysia Airlines (MAS) and Air Asia X seemed to cause a drop in tourist arrivals in Kuala Lumpur which explains a lower occupancy rate during 1Q 2012 compared to last quarter.

Budget Hotel – Kuala Lumpur

As of 1Q 2012, the total supply of budget hotel rooms in Kuala Lumpur stood at 5,964. 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 1Q 2012 improved from 51.38% in 1Q 2011 to 57.35% but declined from 69.33% that was recorded during previous quarter. Meanwhile the Average Room Rate (ARR) for budget hotels revolved around the range of RM100 during the first quarter of both 2012 and 2011 as well as in fourth quarter of 2011.



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 first quarter of 2012.

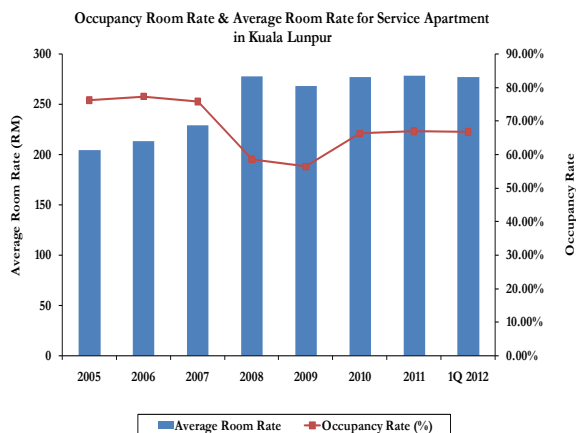
Fraser Place Kuala Lumpur is undergoing expansion plans to convert vacant office levels from Level 4 to 16 of the adjacent block into 106 apartment units. The brand new apartment units are expected to be available by 3rd quarter 2012.

There are a number of new serviced apartments that are scheduled to come on stream in Klang Valley which include the St Mary Residences (2012) and the three new serviced apartments of the Ascott Group namely the Ascott Serviced Residences at KL Sentral (2013) and Citadines D’Pulze Cyberjaya (2014) and Somerset Damansara Uptown Petaling Jaya (2016).

Occupancy Rate & Average Room Rate

Occupancy for service apartments in Kuala Lumpur during 1Q 2012 was 67%, increased from 52.14% in 1Q 2011 but declined slightly from 71.22% that was recorded during previous quarter.

Meanwhile, the average room rate (ARR) for service apartments was recorded at RM277 during 1Q 2012 increased from RM272 in 1Q 2011. However, it declined from RM281 that was recorded during the last quarter.



Source: Zerin Properties Research

Outlook

Overall, the performance of the Klang Valley hospitality sector was rather vigorous during first quarter of 2012 with higher occupancy rates than the corresponding period last year.

Interests are rife over the anticipated opening of luxury brand hotels in Kuala Lumpur among which the Grand Hyatt will be the first when it opens during summer 2012. The Grand Hyatt is expected to boast room rates about the same or higher than the Mandarin Oriental which is currently enjoying the market leader status.

The hospitality market will continue to prosper into second quarter of 2012 coupled with many incentive packages introduced by the government under the 10th Malaysia Plan, Budget 2012 and the Economic Transformation Plan.