Q2 2008

ASIAN INDUSTRIAL PROPERTY MARKET FLASH

CBRE RESEARCH

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CB RICHARD ELLIS

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EXECUTIVE SUMMARY

Commodity- and oil-driven inflation, higher interest rates, slower industrial growth and global financial uncertainty affected several Asian economies and their industrial property markets. Accordingly, expansion plans were either halted or cautiously reconsidered. However, there were some positive signs as quality space for logistics providers seemed to be in scarce supply in certain developing markets.

The ever tightening credit market in **Japan** impaired the purchasing power of some J-REITs, leading to the cancellation of several planned acquisitions. For example, Industrial and Infrastructure Fund abandoned its planned purchase of nine industrial properties and Daiwa House REIT, which cancelled its planned listing in June, also pulled out of the acquisition of five logistics facilities. However, both domestic and foreign developers remained active and the second quarter of 2008 saw a number of new completions by ProLogis, J-REP and Commercial RE.

In **Singapore**, demand for factories and warehouses eroded, owing to manufacturer cautiousness because of rising oil and commodity prices, an appreciating Singaporean dollar and decreasing exports. The government reiterated that manufacturing remains important to the economy and manufacturers are still encouraged to establish facilities on the island. Concurrently, take-up for high-tech space and business parks continued, driven by spillover demand from the office sector. However, limited credit is likely to continue to impair the purchasing ability of REITs seeking to expand their portfolios.

Amid a looming global economic downturn, the **Hong Kong** trading environment continued to show resilience. Intra-Asian trades, particularly re-exports related to the mainland, are expected to continue to be the major source of export growth in Hong Kong in the latter half of 2008. Improving leasing activities in the industrial market may suggest a healthy but cautious stance among logistics companies. Their acquisition interest is likely to rebound when the spectre of surging energy costs subsides.

In China, the **Beijing** industrial market saw demand grow moderately during the second quarter of 2008. The logistics sector saw increased demand for storage facilities within a short period of time as fast-moving consumer goods business owners, expecting prodigious sales during the Olympic Games, rented storage facilities to warehouse more inventory, resulting in a sound increase for storage facility rents. For **Shanghai**, as demand for warehouse and R&D facilities meeting international standards remained buoyant, both average industrial land prices and property rents continued to rise. The overall **Guangzhou** industrial property market recorded a 1% q-o-q increase in rents during the quarter. Among the logistics, R&D and manufacturing sectors, logistics experienced the most active demand. Land sales remained resilient with 18 industrial land deals concluded at reserve price via "open bid". Industrial properties were the least affected by the recent Sichuan earthquake and in its aftermath, scores of businesses were settled in **Chengdu** industrial parks. The average monthly rent for industrial properties grew 4.3% q-o-q to RMB 2 psf (US$0.3 psf), largely driven by an 11.2% q-o-q increase in factory rentals. Occupancy rose with several facilities near full capacity, including the Chengdu Bonded Logistics Centre and the Chengdu Hi-Tech Incubation Park. Land prices remained at first quarter levels for an average of RMB 31.9 psf (US$4.7 psf).

In the **Philippines**, industrial market activity is picking up, especially in the areas of the Clark Freeport Zone, the Subic Bay Freeport Zone and industrial parks accredited by the Philippine Economic Zone Authority. Several leasing transactions made by renowned foreign companies were recorded during the quarter under review.

Given the political uncertainty in **Thailand**, and coupled with greater global economic insecurity, industrial investment was muted during the second quarter of 2008. Land sales of serviced industrial land plots (SILPs) were up 1% y-o-y, but down 19% q-o-q, as there were no large transactions similar to Suzuki's SILP purchase in the previous quarter to drive sales. Buoyed by the government's "Eco-Car" project, automobile manufacturing is expected to continue to be a demand driver for the industrial sector.

More domestic and foreign investment in **Indonesia** has raised demand for land on several industrial estates. Current demand for vacant space is being driven by logistics and automotive-related manufacturing for relocation and expansion. Since the opening of the Modern Cikande Industrial Estate in the first quarter of 2008, no new supplies of industrial space have come online.

In Vietnam, growth in the industrial production of **Ho Chi Minh City** slowed during the first half of 2008 when compared to recent quarters, owing to an economic downturn and compounded by higher inflation, higher interest rates and concerns about the devaluation of the Vietnamese dong, not to mention power shortages and ever-increasing fuel prices. All five central **Hanoi** industrial parks (IPs) are fully occupied. No land leasings were recorded during the second quarter, with occupancy and rents unchanged. As the supply in Hanoi is very limited, search for IP space in neighbouring provinces rose. An urban planning vicissitude occurred in August 2008 as Hanoi incorporated Ha Tay province, the Me Linh district of Vinh Phuc province and four communes in the Luong Son district of Hoa Binh province.

INDICATIVE LEASEHOLD LAND VALUES

Country	City	Industrial Park		Indicative Land Values (psf) Local currency	US$ equivalent	Forex (30 Jun 08)
GREATER CHINA						
PRC	Beijing	Zhongguancun Life Science Park	RMB	147.7	21.5	6.854
		BDA		51.1	7.5	
		Beijing Tianzhu Airport Industrial Zone		80.0	11.7	
	Shanghai	Waigaoqiao Free Trade Zone		278.8	40.7	
		Kangqiao Industry Zone		97.6	14.2	
		Qingpu Industrial Zone		53.9	7.9	
	Guangzhou	Yonghe Economic Zone		55.7	8.1	
		Science City		55.7	8.1	
		Nansha Development Zone		42.2	6.2	
		Airport Economic Zone		26.8	3.9	
	Chengdu	Chengdu Hi-Tech Development Zone (South)		50.2	7.3	
		Chengdu Hi-Tech Development Zone (West)		19.3	2.8	
		Chengdu Economic & Technological Development Zone		36.2	5.3	
SOUTHEAST ASIA						
Singapore		60-year leasehold land	S$	80	58.9	1.3587
Thailand	Bangkok	Amata Nakorn Industrial Estate, Chonburi	THB	232.2 - 255.4	6.9 - 7.6	33.4350
		Eastern Seaboard Industrial Estate, Rayong		145.2	4.3	
		Wellgrow Industrial Estate, Chachoengsao		348.3 - 435.4	10.4 - 13.0	
		Rojana Industrial Park, Ayutthaya		174.2 - 203.2	5.2 - 6.1	
		Nava Nakorn Industrial Zone, Pathumthaini		290.3 - 319.3	8.7 - 9.5	

INDICATIVE INDUSTRIAL RENTAL VALUES

Country	City	Type of Space		Indicative Rental Values (psf month) Local currency	US$ equivalent	Forex (30 Jun 08)
GREATER CHINA						
PRC	Hong Kong	Factory	HK$	7.7	0.99	7.7975
		Warehouse		7.0	0.90	
SOUTHEAST ASIA						
Singapore	Singapore	Factory Space	S$	1.30 - 1.55	0.96 - 1.14	1.3587
		Warehouse		1.25 - 1.55	0.92 - 1.14	
Thailand	Bangkok	Factory Space	THB	20.4	0.61	33.435
Philippines	Manila	Lima Technology Centre	PHP	8.57	0.19	44.895
		Carmelray Industrial Park I (Factory Space)		14.00 - 16.00	0.31 - 0.36	
		Filinvest Technology Park (Factory Space)		10.35	0.23	
		Calamba Premier International Park (Factory Space)		12.07 - 15.95	0.27 - 0.36	
Vietnam*	HCMC	Hiep Phuoc Industrial Park			0.26 per year	16842
		Tan Tao Industrial Park			0.48 - 0.54 per year	
	Hanoi	Hanoi-Dai Tu Industrial Park			0.37 per year	
		Sai Dong B Industrial Park			0.23 per year	
		North Thang Long Industrial Park			0.18 per year	
		Noi Bai Industrial Park			0.21 per year	

** Land sites with different number of years of lease remaining (around 35 - 50 years)*

JAPAN

TOKYO

- In April, the Singapore-listed Parkway Life REIT acquired J-REP Matsudo II (34,900 sf GFA over 2 storeys) in Chiba Prefecture for JPY 2.6 billion (US$24.53 million) at an estimated NOI yield of 5.3%, marking its first overseas investment. The facility is master-leased to Nippon Express who then sub-leases it to Inverness Medical Japan, a domestic pharmaceutical company.
- Kenedix acquired Lilicolor Chiba Office and Warehouse, an eight minute drive from the nearest highway, for JPY 1.1 billion (US$10.38 million) this past April. Kenedix plans to demolish the existing structure and develop a bespoke facility of approximately 140,000 sf.
- New City Corp. unveiled plans to develop the New City Yokohama Logistics Park (total GFA 6.1 million sf), a large-scale logistics facility consisting of four buildings (A, B, C and D) in close proximity to the Shuto Expressway in Kanagawa Prefecture. Construction of building A is scheduled to be completed in April 2009, providing a GFA of 1.4 million sf over seven storeys.
- J-REP opened two large-scale distribution centres in Kanagawa and Osaka Prefectures: J-REP Logi-Station Ibaraki (GFA 143,300 sf) this past April and J-REP Logi-Station Higashi-Ogishima (GFA 482,700 sf) last May. J-REP also unveiled plans to develop two facilities in Aichi and Fukuoka Prefectures: J-REP Logi-Station Toyoda (GFA 127,500 sf, expected to be finished by November 2008) and J-REP Logi-Station Fukuoka III (GFA 358,800 sf, expected to be done by May 2009).
- In June, ProLogis opened ProLogis Parc Narita III (GFA 836,360 sf over six storeys) – less than a mile from Narita Airport in Chiba.

SELECTED LEASING TRANSACTIONS IN Q2 2008

District	Property	Type	Size (sf)	Tenant
Kawasaki, Kanagawa	J-REP Logi-Station Higashi-Ogishima	Distribution Centre	107,640	Nitori
Soka City, Saitama	Mitsui Soko Misato Logistics Centre	Distribution Centre	86,100	Richo Logistics, Sangetsu
Osaka City, Osaka	ProLogis Parc Osaka II	Distribution Centre	53,820	Hamakyorex
Yachiyo City, Chiba	CRE Logi Square Yachiyo	Distribution Centre	53,820	Daiwa Corp.

The above leasing transactions are reported according to the best of our knowledge but we do not guarantee their occuracy.

SINGAPORE

SINGAPORE

- Average monthly rents for high-tech space rose by 6.8% q-o-q to S$3.15 psf (US$2.32 psf). Growth in average monthly factory and warehouse rents increased by 3.3% q-o-q to S$1.55 psf (US$1.14 psf) for ground floor units in both sectors, and climbed 4% q-o-q to S$1.30 psf (US$0.96 psf) and 4.2% q-o-q to S$1.25 psf (US$0.92 psf), respectively, for upper floors.
- A 60-year leasehold industrial site in Ubi Avenue 4/Ubi Road 2 was sold to 3 Link Development Pte. Ltd. for S$23.90 million (US$17.59 million) or S$89 psf/plot ratio (US$65.50 psf/plot ratio) this past April.
- JTC announced that its real estate portfolio would not be divested via a REIT. Instead, the properties were sold to Mapletree Investments Pte. Ltd. for S$1.70 billion (US$1.25 billion).
- Purchases by industrial REITs were curtailed by tighter liquidity. A-REIT bought 31 International Business Park for S$246.80 million (US$181.64 million) and CIT bought two properties totalling S$18.00 million (US$13.25 million), but MapletreeLog and MI-REIT did not make any purchases this past quarter.
- Regarding two business park sites in one-north: Crescendas Bionix will build Biopolis Phase III (GFA 41,505 sm; 446,760 sf) in the fourth quarter of 2009. Fusionopolis Phase 2B will be constructed by the Soilbuild Group; the (50,271 sm; 541,117 sf) development is slated for the second half of 2009.
- JTC launched a "Concept and Price" tender for Plot 61 at the Changi Business Park (maximum GFA 117,515 sm; 1.26 million sf) with 40% of the space designated for hoteliers and retailers. The tender will close this August.

SELECTED LEASING TRANSACTIONS IN Q2 2008

District	Property	Type	Size (sf)	Tenant
5	Mapletree Business City	Business Park	50,000	American Express
5	Mapletree Business City	Business Park	150,000	Unilever
5	Mapletree Business City	Business Park	200,000	HSBC

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PEOPLE'S REPUBLIC OF CHINA — BEIJING

- The Beijing industrial market saw demand grow moderately during the second quarter of 2008, with average monthly rents for industrial buildings recording a 4.2% q-o-q increase to RMB 5.16 psf (US$ 0.75 psf). The logistics sector saw increased demand for storage facilities within a short period of time as fast-moving consumer goods business owners, expecting prodigious sales during the Olympic Games, rented storage facilities to warehouse more inventory, resulting in a sound increase for storage facility rents.
- From 2008 onwards, all industrial plots must be open to public bidding. Last quarter, the asking price for industrial plots in Beijing decreased by 1.5% q-o-q to RMB 118.40 psf (US$17.27 psf).
- From April to late-June 2008, a total of 40 industrial plots (nearly 18.7 million sf) were transacted for a total value of RMB 13 billion (US$1.9 billion) on the open market.
- Out of the above 40 plots, 27 are located in the Beijing Economic and Technology Development Zone in Daxing district, with an average price of RMB 43.20 psf (US$6.30 psf). Six are located at the Beijing Bioengineering and Pharmaceutical Park, also in Daxing, with an average price of RMB 43.50 psf (US$6.35 psf). Another five are located in the Shunyi Tianzhu Airport Export Processing Zone (STAEPZ), with an average price of RMB 80 psf (US$11.67 psf).
- In terms of land usage, nine of the transacted plots are for R&D, while 30 are designated for manufacturing. Only one industrial plot is slated for logistics use and is located at the STAEPZ, accounting for 2.5% of the total area. Accordingly, the market saw resilient demand for logistics properties due to relatively tighter supply.
- In the second quarter of 2008, the logistical leasing market was active and market demand for warehouses was firm. Both Haniel Textile Service and Sinochem International (Guangdong) leased large warehouse spaces in Shunyi district. Meanwhile, Schneider Logistics obtained more than 100,000 sf of warehouse space at the Aoxing Warehouse in Chaoyang district.

SELECTED LEASING TRANSACTIONS IN Q2 2008

District	Property	Type	Size (sf)	Tenant
Chaoyang	Aoxing Warehouse	Warehouse	107,640	Schneider Logistics
Shunyi	AMB Beijing Airport Logistics Park Distribution Centre	Warehouse	53,820	Haniel Textile Service
Shunyi	AMB Beijing Airport Logistics Park Distribution Centre	Warehouse	32,290	Sinochem International (Guangdong)

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PEOPLE'S REPUBLIC OF CHINA — SHANGHAI

- During the second quarter, the Shanghai Land Resource Bureau published land bulletins 7 and 8, releasing 48 industrial and logistical plots for public bidding, which will likely ease pressure on declining land supply.
- With the development and expansion of the logistics industry, the demand for warehouse facilities that meet international standards continues to burgeon. Out of 48 plots, two sites close to Pudong Airport, designated for logistics use, are anticipated to attract global logistics property investors.
- Overall industrial land prices rose 4.6% q-o-q to RMB 105.5 psf (US$15.4 psf), while the overall monthly rent for industrial facilities rose 3.9% q-o-q to RMB 3.4 psf (US$0.5 psf).
- In 2007, total R&D expenditures in Shanghai reached RMB 31.1 billion (US$4.5 billion), registering a 20% y-o-y growth and accounting for 2.6% of overall GDP. Demand for R&D facilities has consistently grown. In the second quarter of 2008, monthly rents for such facilities rose by 4.3% q-o-q to RMB 6.7 psf (US$1 psf), while that for factories and warehouses rose by 2.1% and 5.8% q-o-q, respectively.
- 12 new high-tech projects, involving sustainable energy, advanced materials, automotive R&D, IT and consulting, will be developed in the Caohejing Hi-Tech Park.
- As the mainland Chinese software industry's base, space in the Shanghai Pudong Software Park, located in Shanghai Zhangjiang Hi-Tech Park, has been in demand. EPR, a renowned domestic software corporation committed to moving its headquarters from Guangdong to the Shanghai Pudong Software Park.

SELECTED LEASING TRANSACTIONS IN Q2 2008

District	Property	Type	Size (sf)	Tenant
Fengxian	Goodman Fengxian Distribution Centre	Warehouse	1,345,000	Sinotrans
Waigaoqiao	Waigaoqiao Warehouse	Warehouse	104,370	Senko
Baoshan	Bailian Logistics Base	Warehouse	79,620	Yamato

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PEOPLE'S REPUBLIC OF CHINA — HONG KONG

- Trading remained resilient amid global economic downturn, as evidenced by the over 10% y-o-y growth in both values for total exports and re-exports of goods as of May 2008.
- Intra-Asian trades, particularly re-exports related to the mainland, continued to be the major source of export growth in Hong Kong. Meanwhile, enhancing trade partnerships with the EU market also offset some of the impact of falling exports to the US.
- Despite longer-term optimism, some local logistics players were cautious in the short-term, leading to somewhat strong leasing activity in the second quarter. Industrial space leasing demand from expanding logistics operators remained firm as they continued to compete for prominent locations.
- With an uncertain world economy, some users prefer leasing to acquiring space, resulting in the first drop in warehouse capital values from consecutive rises in the third quarter of 2003 onwards.
- The lull in industrial investment activities was particularly noticeable for en bloc transactions concluded in the second quarter of 2008. A q-o-q drop of 84.7% in total consideration paid was recorded. The most notable en bloc transaction in the quarter was the Cosmo-sing Shing Building in Kwun Tong which changed hands for HK$220 million (US$28.2 million), or HK$2,200 psf (US$282.1 psf).
- As Hong Kong struggles with high inflation and faces long-term pressure from possible interest rate hikes, many industrial investors have adopted a "wait-and-see" stance, with a view to preserving their capital strength for a more opportune time.

SELECTED LEASING TRANSACTIONS IN Q2 2008

District	Property	Type	Size (sf)	Tenant
Tsuen Wan	Tsuen Wan Industrial Centre	Industrial	22,700	Educational Publishing House Ltd.
Tsuen Wan	Tsuen Wan International Centre	Industrial	48,800	Santoh HK Ltd.
Fanling	Kader Industrial Centre	Industrial	91,800	BRP Asia Ltd.
Yuen Long	Lai Sun Yuen Long Centre	Industrial	20,800	Protyre (Hong Kong) Ltd.

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PEOPLE'S REPUBLIC OF CHINA — GUANGZHOU

- Growth in Guangzhou industrial output slowed as higher energy prices in the first five months of 2008 exerted cost pressures on overall industrial activities.
- R&D facilities outperformed other sectors, witnessing 2.2% q-o-q growth in rents, while the logistics and manufacturing sectors grew 0.7% and 0.2% q-o-q, respectively.
- Demand for logistical facilities is mainly attributable to logistics entities and companies with substantial logistical needs. However, foreign businesses are more focussed on the quality of logistical properties rather than on their rents.
- In the second quarter of 2008, 18 industrial sites were sold for reserve price by the Bureau of Land Resources and Housing Management for Guangzhou Municipality at public auction and average industrial land prices grew slightly to RMB 42.10 psf (US$ 6.14 psf).
- The Guangzhou Science City (GSC) continued to report noteworthy deals: Including the establishment of a Southern Chinese operations centre by Alibaba.com and the construction of a trade centre by Bao Steel Co. In June, South China Medicine Innovation Centre decided to locate itself at the GSC, with an investment of RMB 1 billion (US$145.9 million).
- The expansion of the GSC is expected to be completed within five years in the north of Luogang District, covering a land area of about 430.56 million sf, which is twice as large as that of the existing GSC. Guangzhou Development Zone (GDZ) also plans to expand to accommodate more companies. This past April the GDZ expanded its reserve land area by about 6.32 million sf.

SELECTED LEASING TRANSACTIONS IN Q2 2008

District	Property	Type	Size (sf)	Tenant
Luogang	Youth Technology Park	R&D	11,600	Zebra Technology

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PEOPLE'S REPUBLIC OF CHINA CHENGDU

- The Sichuan earthquake of 12 May 2008 severely impacted the Chengdu real estate market, particularly its residential sector. Industrial properties, which are primarily low-rises, were the least affected and most factories resumed production within a few days after the quake.
- According to official data, 98.2% of industrial enterprises resumed operations by 27 June 2008. Moreover, the local government instituted a series of incentives, including low interest loans to manufacturers.
- Some industrial companies showed interest in the region owing to its emerging reconstruction opportunities. For example, China National Building Materials decided to build manufacturing facilities in Chengdu to produce cement and fibreglass. Lafarge announced its plans to build a factory in Jintang County, as did Sika in Xinjin County, to make construction chemicals.
- It is expected that in the second half of 2008, suburban Chengdu will see increased reconstruction, raising the demand for industrial properties and sustaining their rental and sales prices.
- R&D and logistics companies remain hopeful about the region. Tencent was the first company to invest in Chengdu after the earthquake, acquiring an 18,000 sm (193,750 sf) R&D facility at the Tianfu Software Park, and is planning to construct its own building in the south park of the Chengdu Hi-Tech Industrial Development Zone. Chic Logistics will build a 70,000 sm (753,480 sf) warehouse at the Xindu Logistics Centre, while PGL settled into the Chengdu Cross-Straits Technological Industry Park.

SELECTED LEASING TRANSACTIONS IN Q2 2008

District	Property	Type	Size (sf)	Tenant
Gaoxin	Tianfu Software Park	R&D	400,000	ASM
Xindu	Xindu Logistics Centre	Logistics	6,000,000	Sichuan Yuanzhen Machinery Mall Co.

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PHILIPPINES MANILA

- Global electronics giant Samsung Electronics will invest PHP 45.26 billion (US$1.00 billion) to develop a microchip manufacturing facility on a 30-hectare lot in the Clark Freeport Zone (CFZ). Construction of the facility will commence within the year.
- SAT UK Ltd. will invest PHP 22.61 billion (US$503.62 million) to establish facilities for manufacturing airship communication equipment: For both export and domestic consumption on a 20-hectare facility near the airport, where the FedEx facility is currently located, in the Subic Bay Freeport Zone (SBFZ).
- The recently completed Subic to Clark section of the Subic-Clark-Tarlac Expressway, connecting the CFZ and SBFZ, is expected to boost industrial activity in the above two special economic zones.
- New York-based electronics company Moog Controls Corp., which manufactures precision control components and systems for commercial aircraft, satellites and space vehicles, will invest PHP 4.52 billion (US$100.68 million) to develop a new building on a six-hectare site at Camp John Hay in the Baguio City Economic Zone over a period of 10 years. Since Moog plans to double its local workforce to expand operations, it chose Baguio for its quality of workforce.
- Tokai Rica Philippines (TRP), Inc., a local car parts maker and member of the Toyota Group, is expanding its manufacturing facility in the Toyota Industrial Complex in Sta. Rosa, Laguna, to meet increasing demand from the local and regional automotive industries.

SELECTED LEASING TRANSACTIONS IN Q2 2008

District	Property	Type	Size (sf)	Tenant
Angeles City, Pampanga	Clark Freeport Zone	Vacant Lot	3,228,000	Samsung
Subic, Zambales	Subic Bay Freeport Zone	Industrial Complex	2,152,000	SAT UK Ltd.
Baguio City	Baguio City Economic Zone - Camp John Hay	Vacant Lot	645,600	Moog Controls Corp.

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THAILAND BANGKOK

- Compared to the first quarter of 2008, average selling prices for serviced industrial land plots (SILPs) and average rents for ready-built factories (RBFs) remained unchanged when quoted in Thai baht, but declined when quoted in US dollars. Average asking prices for SILPs ranged between THB 232.04 psf (US$6.94 psf) and THB 435.32 psf (US$13.02 psf) in eastern provinces like Chacoengsao, Chonburi and Rayong, while average rents for RBFs ranged between THB 16.72 psf (US$0.50 psf) and THB 20.06 psf (US$0.60 psf) monthly.
- The total value of projects approved by the Board of Investment (BOI) dropped 47.3% y-o-y to THB 183.89 billion (US$5.5 billion) in the first half, with the service and infrastructural sectors accounting for 37.8%; chemicals, plastics and paper for 18.6%; and metal processing for 17.8%.
- Although overall FDI declined 29% y-o-y, total industrial FDI in the first four months of 2008 increased 38% y-o-y to THB 56.84 billion (US$1.7 billion), due to increased investment in the automobile sector by foreign companies operating in Thailand.
- TATA Motor, the latest BOI approved "Eco-Car" manufacturer, announced plans to invest THB 9.6 billion (US$287 million) to produce 100,000 eco-cars and pick-up trucks annually. The location of its new plant awaits selection, but the attendant land transaction is expected to be one of the largest for the latter half of 2008.
- Another potentially sizeable deal could involve Volkswagen whose application to manufacture eco-cars in Thailand is still pending.
- Many larger existing industrial estates have significant land banks that are still being developed. As a result, no significant push to develop new industrial estates is presently visible.

SELECTED LEASING TRANSACTIONS IN Q2 2008

District	Property	Type	Size (sf)	Tenant
Bangkok	Ladkrabang	Warehouse	19,377	n.a.

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INDONESIA JAKARTA

- During the second quarter of 2008, industrial estates in Bekasi, Cikarang, Cibitung and Karawang recorded higher investment activity compared to other industrial areas. Absorption of vacant space at several Bekasi industrial estates remained resilient.
- Kopi Kapal Api, an expanding local coffee company, acquired 9.6 hectares of vacant land at the Surya Cipta Industrial Estate in Karawang.
- Significantly for the period: 20 hectares of vacant land were acquired outside Serang by Uniflora Cocoa for a chocolate processing factory with supporting facilities.
- The second quarter also saw Astra Auto Component Group, the largest automotive component manufacturer in Indonesia, acquire four hectares of land at the MM2100 Industrial Estate in Cibitung for factory expansion.
- Crown Worldwide Indonesia, an international logistical services provider, will relocate its warehouse from Cilandak Commercial Estate in South Jakarta to one hectare in BSD City in Serpong, outside Jakarta.
- The selling price of serviceable vacant land on industrial estates within the city of Jakarta was about IDR 1,284,500 psm (US$139.31 psm).
- With resilient demand for industrial land around the Jakarta-area, neither sales nor rental price corrections were visible. The selling price for serviceable land in major industrial estates outside Jakarta remained stable for the review period. Average selling prices varied by location: Bekasi, Cikarang and Cibitung remained unchanged q-o-q at about IDR 595,000 psm (US$64.53 psm). Serang, Bogor and Tangerang were around IDR 390,000 psm (US$42.30 psm), IDR 580,000 psm (US$62.90 psm) and IDR 610,000 psm (US$66.16 psm), respectively. Prices increased slightly in Karawang to IDR 395,000 psm (US$42.84 psm).

SELECTED LEASING TRANSACTIONS IN Q2 2008

District	Property	Type	Size (sf)	Tenant
Serang-Cilegon	Outside Industrial Estate	Vacant Land	2,152,800	Uniflora Cocoa
Karawang	Surya Cipta	Vacant Land	1,033,300	Kopi Kapal Api
Cibitung	MM2100	Vacant Land	430,500	ASTRA Intl.

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VIETNAM — HO CHI MINH CITY

- An official announcement by the People's Committees of Binh Duong and Dong Nai stated that no new industrial parks (IPs) will be developed in these two provinces (which have the largest number of IPs in Vietnam) because of sewage and accompanying environmental problems. Dong Nai and Bình Duong provinces currently each have 27 IPs with a total area of 7,000 and 8,050 ha, respectively. However, only 11 industrial parks in Dong Nai and seven in Bình Duong have operational sewage treatment systems. Furthermore, these two provinces have decided not to develop any new IPs until vacant land on existing sites is full.
- State-owned Idico Long Son Co. was granted an investment license by the Vung Tau Industrial Parks Authority to develop Long Son Petroleum IP (around 1,250 ha) in Vung Tau City, 120 kilometres southeast of Ho Chi Minh City (HCMC), with an investment of about VND 3.49 trillion (US$207 million). Idico has also been awarded a license to expand the Phu My II IP (403 ha) with an investment of about VND 1.18 trillion (US$70 million). Both IPs will likely be completed by 2015.
- The HCMC Export Processing and Industrial Zones Authority granted approval to the Nhut Thanh Trade Construction and Investment Consulting Co. to develop An Ha IP (160 ha) in Binh Chanh district, HCMC.
- Rents in Tan Tao IP increased from VND 5,053 (US$0.30 psf) annually in the first quarter to between VND8,084 psf (US$0.48 psf) to VND 9,095 psf (US$0.54 psf) annually, based on lease duration.

SELECTED LEASING TRANSACTIONS IN Q2 2008

District	Property	Type	Size (sf)	Tenant
Vung Tau	My Xuan A Industrial Park	Manufacturing	3,229,200	Vietnam Glass Industries Ltd.

The above leasing transactions are reported according to the best of our knowledge but we do not guarantee their occuracy.

VIETNAM — HANOI

- The Hanoi – Dai Tu Industrial Park (IP) has no land available for lease, but possesses about 10 hectares of ready-built factories (RBFs) for short-term lease periods varying from two to five years. The average monthly unit rent for RBFs is VND 58,170 psm (US$3.50 psm) or VND 5,484.60 psf (US$0.33 psf). However, no leasing of RBFs was recorded during the second quarter of 2008.
- Regarding new supply, Noi Bai IP is in the midst of cultivating 14 new hectares for lease by late-2008 or early-2009. The expected rental is VND 1.91 million psm (US$115 psm) or VND 177,501.60 psf (US$10.68 psf), for a period of 50 years.
- Habotech Park (204 hectares), located at the south end of the Thang Long Bridge, will be the first bio-tech park in Vietnam. It is a mixed-use, bio-tech industrial park and will be developed by Pacific Land with research and production space, office buildings, hotels, residential, retail and entertainment areas, schools and a hospital. Construction of the first phase is expected to commence in the third quarter of 2008.
- Ha Tay Province, the Me Linh district of Vinh Phuc Province and four communes in the Luong Son district of Hoa Binh Province merged with Hanoi on 1 August 2008. The territorial expanse of Hanoi is now broader and its IP market is expected to become active as more supply comes online.

NO MAJOR TRANSACTIONS WERE RECORDED IN THE SECOND QUARTER OF 2008.

AREA MEASUREMENT

Measurement unit	Square metres	Square feet
1 acre	4,000	43,056
1 hectare	10,000	107,640
1 rai	1,600	17,216
1 square metre	-	10.764
1 square kilometre	1,000,000	10,764,000
1 tsubo	3.306	35.58

PEOPLE'S REPUBLIC OF CHINA

Industrial properties in the PRC include data centres, factories, logistics warehouses and high-tech and research facilities. Economic and Technological Development Zones (ETDZs) or industrial parks are areas designed and zoned for manufacturing and associated activities. Incentives associated with taxes, such as tax abatement are often provided for manufacturers in these industrial zones. Usually, tax shelters, abatements and incentives are offered to attract enterprises. Tax shelters provide an allowance for a postponement or elimination of a tax liability.

High-tech facilities refer to those factories designed for the manufacturing of products requiring high technology, such as computer parts or bioengineering related products. Most of these high-tech facilities are build-to-suit premises and only a minority are constructed for lease by private developers.

In Beijing, high-tech facilities are commonly found in Zhongguancun in Haidian District. In Shanghai, these facilities are clustered in Zhangjiang Hi-Tech Park (Pudong New District), Caohejing Hi-Tech Park and Zizhu Hi-Tech Park (Minhang District). In Guangzhou, high-tech facilities are mostly located in Tianhe District.

HONG KONG

Warehouse

This category comprises premises designed or adapted for use as godowns or cold stores and includes ancillary offices. Premises located within the container terminals are also included. About 80% of the stock is located in the New Territories, with Kwai Tsing alone accounting for 40%.

Industrial/Office (I/O)

This category comprises floor space in developments with planning permission and lease modifications for industrial/office use and certified for occupation as such. The stock is distributed in 11 districts throughout the Hong Kong Special Administrative Region, with Kwun Tong, Shum Shui Po and Kwai Tsing, accounting for more than 70% of the total floor space.

Factory

This category comprises flatted factories and ancillary office accommodations. It includes flatted factory space that has received planning permission for industrial/office use but has not yet completed the government lease modification. Also included in this category is strata-title floor space with temporary planning permission for industrial/office use and short-term waivers of government lease restrictions. It should also be noted that much of the flatted factory space completed in recent years has been built to a high standard with good finishes. Although many factory buildings are occupied as offices, showrooms, or a mixture of these uses and light industrial purposes, they should be distinguished from buildings with proper industrial/office status. The majority of the stock is distributed in four districts of Hong Kong, namely Kwun Tong, Tsuen Wan, Kwai Tsing and Tuen Mun, which account for 60% of the total supply.

JAPAN

Warehouse

This category comprises premises that are designated as logistics centres where commodities are stocked and shipped to retailers. This usually includes a small office for employees working there. Such offices do not conduct business with customers, but are solely for the general operation of the associated warehouse. In greater Tokyo, properties categorised as warehouses are concentrated in or near Narita Airport, Port of Chiba, Port of Tokyo and Port of Kanagawa, as well as the suburban fringe areas of Tokyo.

SINGAPORE

Factory

Factory space is broadly defined as the space used or intended to be used for the production of goods. It generally consists of buildings or part of buildings which are designed to accommodate activities such as printing and publishing, food and beverages, aerospace, machinery, fabricated metals, electronic industries, chemicals, manufacturing and assembly. About three quarters of Singapore's industrial factories are privately owned, with the public sector taking up the rest. Typically, the factories are located at the western end of the island, in Tuas and Jurong. Pockets of industrial factories can also be found along Sungei Kadut, Mandai, Woodlands East, Kaki Bukit, Eunos and Ayer Rajah.

Factory buildings can be further subdivided into multi-user factories and single-user factories, depending on the usage and types of occupation.

1. Multiple-User Factory

This usually refers to a factory building subdivided into individual strata-title units. This results in multiple ownership of the factory building.

2. Single-User Factory

A single-user factory generally refers to a building that has a single occupier and is used solely for purposes related to that occupier.

Business Park

This refers to areas for non-pollutive industries and businesses that cater mainly to the needs of new industries in high value-added and knowledge-based activities. It includes Singapore Science Park, International Business Park, Changi Business Park and one-north.

Warehouse

Warehouse refers to covered space used for the storage of goods or raw materials. The West region, which is traditionally an industrial area, accounts for more than 50% of the total warehouse stock.

High-Tech Industrial

This category refers to industrial spaces that are fitted with high-tech features such as building management automation and security systems as well as advanced telecommunication facilities and master antenna television systems.

THAILAND

Industrial Estate

An industrial estate in Thailand resembles an industrial town or industrial city, providing the complete infrastructure necessary for industrial operations, including electricity, water, flood protection, waste water treatment, solid waste disposal, etc. They are accessible to seaports, airports and other transportation centres. In addition to providing communication facilities and security systems, industrial estates also contain commercial banks and a post office. Some have customs offices, schools, hospitals, shopping centres and other facilities needed for investors and workers. Such areas are self-contained communities.

Industrial estates in Thailand are generally classified into three types:

- Those wholly owned and managed by the Industrial Estate Authority of Thailand (IEAT) (i.e. IEAT industrial estates)
- Joint ventures between IEAT and the private sector (i.e. industrial estates)
- Those wholly owned and managed by the private sector (i.e.industrial parks and industrial zones)

Serviced Industrial Land Plot
Serviced industrial land plots (SILPs) are industrial land plots located within an industrial estate, park or zone, and include general industrial zones (GIZs), export processing zones (EPZs) and free trade zones (FTZs). A GIZ is the area reserved for industries manufacturing goods for domestic and/or export consumption. EPZs are reserved for industries manufacturing goods for export only. FTZs are reserved for industries manufacturing goods for both domestic and export consumption, and include a Customs office, enabling manufacturers to deal directly with the Customs Department. Unlike the former EPZ classification used by the BOI the minimum export scheme is not applied in FTZs, and manufacturers in FTZs are not required to export at least 80% of their total production.

Warehouse
This category comprises premises designed for use as godowns and includes ancillary offices. The majority of the stock is located in the Bangkok Metropolitan Region (BMR).

Factory
This category comprises buildings with permits for industrial use. The majority of the stock is distributed in two areas, namely the northern and eastern parts of the Bangkok Metropolitan Region (BMR).

Ready built factories (RBFs) are designed for small- to medium-sized companies and have lower start-up costs. They can quickly mobilise operations once they receive orders from a customer. Most factories consist of single storey with mezzanine level offices. They are detached, with each unit separated from other units by security railing walls. Factory sizes range mainly between 800 and 3,000 sm (8,600 and 32,300 sf).

INDONESIA

Industrial Estate
An industrial estate typically provides basic infrastructure and utilities such as internal roads, electricity, telephone lines, domestic and industrial water, drainage and waste water treatment facilities.

Market Area
This refers to Jakarta and the municipalities of Bogor, Tangerang, Bekasi, Serang and Karawang.

Serviceable Land/Area
This refers to industrial space to be developed for lease or sale.

Standard Factory Building (SFB)
This category refers to standard buildings within industrial estates with permits for industrial and warehouse use.

VIETNAM

Depending on the specifics of their businesses, enterprises operating within industrial zones are subject to full payment of import and export duties and other taxes and fees as stipulated by law.

In an Export Processing Zone (EPZ), goods exported or imported by export processing enterprises (including goods imported for the purposes of capital construction of the enterprises, goods imported for production purposes and goods for export) are exempted from export and import duties. However, the exchange of goods between domestic enterprises and export processing enterprises is considered a form of export-import activity that is subject to the provisions of Vietnamese laws on export-import activities. For products produced by export processing enterprises that are sold in the domestic market of Vietnam, import duties and other relevant taxes shall be paid.

In the case of goods processed by export processing enterprises for Vietnamese enterprises, the Vietnamese enterprises shall pay import duties upon delivery of the processed goods. In the case of goods processed by Vietnamese enterprises for export processing enterprises, the Vietnamese enterprises shall pay export duties upon delivery of the processed goods.

FOR ADDITIONAL INFORMATION, PLEASE FEEL FREE TO CONTACT:

GREATER CHINA			
Beijing	Craig Simon Jones	(86) 10 8588 0798	craig.jones@cbre.com.cn
Shanghai	Andrew Hatherley	(86) 21 2401 1200	andrew.hatherley@cbre.com.cn
Guangzhou	Eric Lee	(86) 755 3395 3770	eric.s.lee@cbre.com.cn
Chengdu	Mireille Wan	(86) 28 8447 0022	mireille.wan@cbre.com.cn
Hong Kong	Roy Chan	(852) 2820 2800	roy.chan@cbre.com.hk
NORTH ASIA			
Japan	Ben Duncan	(81) 3 6230 1188	ben.duncan@cbre.co.jp
SOUTH & SOUTHEAST ASIA			
Singapore	Bernard Goh	(65) 6224 8181	bernard.goh@cbre.com.sg
Philippines	Trent Frankum	(632) 752 2580	trent.frankum@cbre.com
Thailand	James Pitchon	(66) 2654 1111	james.pitchon@cbre.co.th
Vietnam	Marc Townsend	(848) 824 6125	marc.townsend@cbre.com
Indonesia	Steven Tjen	(62) 21 523 7337	steven.tjen@cbre.co.id

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CB RICHARD ELLIS

ASIAN INDUSTRIAL PROPERTY MARKET FLASH

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HONG KONG
34/F Central Plaza
18 Harbour Road, Wanchai
Hong Kong
T: (852) 2820 2800
F: (852) 2810 0830

Suite 2109-12, 21/F, Sun Life Tower
The Gateway, 15 Canton Road
Tsimshatsui, Kowloon, Hong Kong
T: (852) 2820 8100
F: (852) 2521 9517

BEIJING
11/F, Tower 2, Prosper Centre
5 Guanghua Road, Chaoyang District
Beijing 100020
People's Republic of China
T: (86) 10 8588 0888
F: (86) 10 8588 0899

SHANGHAI
Suite 3201, 3203-3206
32/F, K. Wah Centre
1010 Huai Hai Middle Road
Shanghai 200031
People's Republic of China
T: (86) 21 2401 1200
F: (86) 21 5403 7519

Suite 1004, 10/F, Azia Centre
1233 Lu Jia Zui Ring Road
Shanghai 200120
People's Republic of China
T: (86) 21 2401 1200
F: (86) 21 5047 1171

GUANGZHOU
Suite 1401-1402, Guangzhou
International Electronics Tower
403 Huan Shi East Road
Guangzhou 510095
People's Republic of China
T: (86) 20 2883 9200
F: (86) 20 2883 9248

SHENZHEN
Suite 2404-05
Excellence Times Square Building
Yitian Road, Futian District
Shenzhen 518048
People's Republic of China
T: (86) 755 3395 3700
F: (86) 755 2399 5370

HANGZHOU
Suite 1201, 12/F, North Tower
Anno Domini Plaza, 8 Qiu Shi Road
Hangzhou 310013
People's Republic of China
T: (86) 571 2880 6818
F: (86) 571 2880 8018

CHENGDU
Suite 704A-706, Office Tower at
Shangri-La Centre Chengdu, Block B
9 Bin Jiang East Road, Chengdu 610021
People's Republic of China
T: (86) 28 8447 0022
F: (86) 28 8447 3311

TIANJIN
Suite 903, Tower A, The Exchange
189 Nan Jing Road, Heping District
Tianjin 300051, People's Republic of China
T: (86) 22 8319 2178
F: (86) 22 8319 2180

DALIAN
Suite 2104, 21/F, Tian An International Tower
88 Zhong Shan Road, Zhongshan District
Dalian 116001, People's Republic of China
T: (86) 411 3980 5855
F: (86) 411 3980 5866

QINGDAO
Suite 401-404, Crowne Plaza
76 Hong Kong Middle Road
Shinan District, Qingdao 266071
People's Republic of China
T: (86) 532 8077 7286
F: (86) 532 8077 7267

WUHAN
Suite 3915, 39/F, Wuhan New World
International Trade Centre, Tower 1
568 Jian She Avenue, Wuhan 430022
People's Republic of China
T: (86) 27 8555 8277
F: (86) 27 6885 0506

SHENYANGSuite 2102-2103
North International Media Centre
167 Qingnian Street, Shenhe District
Shenyang 110014
People's Republic of China
T: (86) 24 2318 2688
F: (86) 24 2318 2689

TAIPEI
13F/A, Hung Tai Centre
170 Tun Hua North Road
Taipei 105, Taiwan
T: (886) 2 2713 2266
F: (886) 2 2712 3065

SINGAPORE
6 Battery Road #32-01
Singapore 049909
T: (65) 6224 8181
F: (65) 6225 1987

TOKYO, JAPAN
5/F JEI Hamamatsucho Building
2-2-12 Hamamatsucho, Minato-ku
Tokyo 105-0013, Japan
T: (81) 3 5470 8711
F: (81) 3 5470 8715

1/F JEI Hamamatsucho Building
2-2-12 Hamamatsucho, Minato-ku
Tokyo 105-0013, Japan
T: (81) 3 5470 8800
F: (81) 3 5470 8801

*19 offices throughout Japan

SEOUL, KOREA
12/F SC First Bank Building
100 Gongpyeong-dong, Jongno-gu
Seoul, Korea 110-702
T: (822) 2170 5800
F: (822) 2170 5899

NEW DELHI, INDIA
G/F P.T.I Building
4 Parliament Street
New Delhi 110 001, India
T: (91) 11 4239 0200
F: (91) 11 2331 7670

MUMBAI, INDIA
#5, 3/F Tower C, Laxmi Towers
G-block, Bandra Kurla Complex
Bandra (E), Mumbai 400 051, India
T: (91) 22 4069 0100
F: (91) 22 2652 7655

BANGALORE, INDIA
Hulkul Brigade Centre
G/F, No. 82 Lavelle Road
Bangalore 560 001, India
T: (91) 80 4074 0000
F: (91) 80 4112 1239

CHENNAI (MADRAS), INDIA
2H, 2/F Gee Gee Emerald 2C & 2D
151 Village Road, Nungambakkam
Chennai 600 034, India
T: (91) 44 2821 4599/4571
F: (91) 44 2821 4607

HYDERABAD, INDIA
211, Maximus 2B, Mindspace Cyberabad
Survey No: 64 (Part)
APIIC Software Layout, Madhapur
Hyderabad 500 081, India
T: (91) 40 4033 5000
F: (91) 40 4033 5050

PUNE, INDIA
705-706, 7/F Nucleus
Church Road
Pune 411 001, India
T: (91) 20 2605 5437/5367
F: (91) 20 2605 5405

KOLKATA, INDIA
4/F, S B Towers
37 Shakespeare Sarani
Kolkata 700 016, India
T: (91) 33 4008 4811-14

JAKARTA, INDONESIA
7/F Permata Bank Tower I
Jalan Jenderal Sudirman Kav. 27
Jakarta 12920, Indonesia
T: (62) 21 523 7337
F: (62) 21 523 7227

MANILA, PHILIPPINES
Suite 1002-1005, 10/F
Ayala Tower One & Exchange Plaza
Ayala Avenue, Makati City
Metro Manila 1226, Philippines
T: (632) 752 2580
F: (632) 752 2571

CEBU, PHILIPPINES
3/F, i2 Building
Asiatown I.T. Park, Lahug
Cebu City, Philippines 6000
T: (632) 238 4211

BANGKOK, THAILAND
46/F CRC Tower, All Seasons Place
87/2 Wireless Road, Lumpini Pathumwan
Bangkok 10330, Thailand
T: (66) 2 654 1111
F: (66) 2 685 3300-1

PHUKET, THAILAND
12/9 Moo 4, Thepkrasattri Road
Kohkaew, Muang
Phuket 83000, Thailand
T: (66) 76 239 967
F: (66) 76 239 970

SAMUI, THAILAND
3/6 Moo 1, Baan Bophut - Plailaem Road
Bophut, Koh Samui
Surat Thani 84320, Thailand
T: (66) 77 430 737
F: (66) 77 430 740

PATTAYA, THAILAND
306/96-97 Moo 12, Thappraya Road
Nongprue, Banglamung
Chonburi 20150, Thailand
T: (66) 38 364 969
F: (66) 38 364 963

HO CHI MINH CITY, VIETNAM
Suite 1301, Me Linh Point Tower
2 Ngo Duc Ke Street, District 1
Ho Chi Minh City, Vietnam
T: (848) 824 6125
F: (848) 823 8418

HANOI, VIETNAM
Floor 12A, Vincom City Tower B
191 Ba Trieu Street
Hanoi, Vietnam
T: (844) 220 0220
F: (844) 220 0210

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CB RICHARD ELLIS