



**ASIAN INDUSTRIAL/HI-TECH FACILITIES/LOGISTICS
PROPERTY MARKET FLASH**

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NORTH ASIA

Japan - The trend in Japan for outsourcing distribution functions continued to accelerate in the first quarter of 2006. Large retailers, such as Takashimaya, are increasingly adopting a strategy of outsourcing to complement their efforts to increase operational efficiency and cost-cutting. Hence, major logistics and distribution operators are seeing expansion in demand for 3PL services as an emerging business opportunity to leverage their network operations. This, in turn, has cascaded into an increase in demand for large-scale, high specification distribution centres, a phenomenon which is in the midst of reshaping industrial practices across the Japanese market. Japan's trade numbers headed north across-the-board at the start of the year with government figures in March showing a 25.2%, y-o-y, rise (25 consecutive months) in imports and an 18.1%, y-o-y, increase (28 consecutive months) in exports.

CHINA

PRC-Beijing - Generally speaking, industrial land in Beijing is now being increasingly devoted to the development of I/O buildings in hi-tech zones or business parks, or industrial premises used as research and development centres and/or warehouses. With the growing importance of Beijing's role as a research and development centre for multinational companies, which is evolving very much in tandem with the expansion and development of the chain-store industry in the city, market demand for industrial office buildings and modern warehouses suitable for accommodating logistics operators, have recently witnessed a rapid rise. In the past, industrial sites in Beijing have been sold primarily through private treaty. In the first quarter of 2006, the Land Utilisation Department, which is under the auspices of the PRC Ministry of Land and Resources, announced that a mechanism of open competition would be introduced for all future assignment of the usage rights for industrial land.

PRC-Shanghai - Continuing a trend witnessed in 2005, the market for logistics and warehousing facilities was observed as robust in the first quarter of 2006. With the liberalising of controls over overseas investment in China's logistics industry, in line with Beijing's commitment to the WTO, wholly-owned foreign logistics operators are now permitted to operate outside the Waigaoqiao Free Trade Zone. At the same time, a number of REITs were observed aggressively exploring opportunities to acquire income-producing industrial properties in major urban hubs along the country's eastern

coast. Buoyed up by strong market fundamentals, both the rental level for standard industrial facilities as well as industrial land values saw a steady rise within the first quarter.

PRC-Hong Kong - Properties in the highly sought after warehouse segment, particularly those acquired earlier by institutional players, registered substantial rental increases in the first quarter, fuelling improved yield return. As the new yield-driven owners had acquired these properties at a premium in lieu of the expected capital appreciation, and in view of the current shortage in supply which will support high rentals in the market, it is likely that in the long run, the logistics users in these properties would inevitably pass at least part of the rental burden onto the shoulders of their customers. The rise in operational cost incurred from surging warehouse rentals may have a dampening impact on the future cost effectiveness of the logistics industry of the SAR.

PRC-Guangzhou - The Guangzhou industrial sector continued to grow at a rapid pace within the first quarter of 2006 underpinned by strong output from the city's pillar industries. From January to February 2006, Guangzhou's total aggregate industrial production amounted to US\$11.74 billion, up 19.2% over the same period in the previous year. Driven by the strong performance of auto-related manufacturers, including Dongfeng Passenger Vehicle, Guangzhou Honda and Dongfeng Honda Engine, total automotive production figures registered a total of US\$1.71 billion for the first two months of 2006, up 56.7% over the same two-month period in the previous year. Meanwhile, electronic and petroleum-related manufacturing recorded respective upturns of 14% to US\$1.49 billion and 12.5% to US\$1.92 billion.

PRC-Chengdu - According to Chengdu Statistical Bureau, the city's industrial output increased by 19.7%, y-o-y, to RMB 75.73 billion in 2005. There are various factors that contribute to underpin the sustained strong growth of the Chengdu economy. Above all, support of the Central Government has played an instrumental role, the government having unveiled the "Go West" policy in the late 1990s to encourage foreign investment be channelled to the western part of China, mainly through the provision of favourable investment incentives and improving accessibility through investment in infrastructure developments. The Sichuan provincial government has made it clear that new land supply in 2006 will mainly be earmarked for industrial-related development.

SOUTH & SOUTHEAST ASIA

Singapore - The signs of improved sentiment witnessed in 2005 continued to be evident in the first quarter of 2006 as average rents for factory space and hi-tech space increased for the first time since 2003. Average rents for warehouses, meanwhile, held firm for another quarter. With the rise in demand, occupancy levels across all industrial sub-segments continued to rise within the quarter. While Singapore's industrial REIT companies were quiet on the local front within the period under review, they were observed to be quite active overseas. Industrialists are cautiously optimistic about the outlook for 2006. As the economy strengthens, occupancy rates should continue to rise, while average rents hold firm or even show another slight rise later in the year.

Philippines - Although activity in most of the country's major industrial parks continued to be mixed and relatively subdued during the first quarter of 2006, some traditional industrial parks reported increased inquiries from Japanese and Taiwanese firms seeking to establish a portion of their manufacturing operations in locations outside China for the purpose of diversification. Meanwhile, other parks and economic zones continue to rebrand and reposition themselves to attract higher value-added occupiers such as logistics, call centres/BPO and IT locators.

Thailand - The industrial market in Thailand continued to be active in the first quarter of 2006, despite the uncertainty fuelled by the protracted political disruption that would ultimately force Prime Minister Thaksin Shinawatra to step aside. Foreign investment still increased, as indicated by a 15% y-o-y upturn in the number of BOI (Board of Investment) approvals issued. Indeed the actual level of total investment increased by 58% y-o-y. Manufacturing production increased by 9.4% y-o-y, while, within

the same period, a 3.3% y-o-y increase in Industrial Capacity Utilisation was observed. The majority of foreign investment continues to stream from Japanese companies, which constitute a 33% share of the total number of approvals, and 20% by value of investment. Looking forward, various industrial sectors are expected to witness expansion over the next few years.

Vietnam-Ho Chi Minh City - In the first quarter of 2006, one of the highlights witnessed in the HCMC real estate market and its immediate surrounding provinces was the sharp rise in FDI invested into the industrial sector. During the first three months of this year, HCMC alone witnessed the signing of 28 industrial sector-related FDI projects with a total registered capital of US\$648 million (comprising 97% of the city's total registered capital). However, at the same time, HCMC's industrial sector still faced some challenges, including the imposition of anti-dumping sanctions by the European Union on leather footwear, a regulation which applies to Vietnam as well as China, and a decline in the domestic motorcar assembly industry.

Vietnam-Hanoi - The Hanoi industrial market reflected relative stability within the first quarter of 2006. The overall Hanoi industrial market comprises 18 small- and medium-size industrial zones in addition to its core six centralised industrial parks. According to the City Industrial and Export Processing Zone Authority, the city's six centralised industrial zones registered a combined turnover of approximately US\$2.85 billion in the whole of 2005. With strong interest observed from foreign and domestic enterprises seeking factory space, the industrial market in Hanoi is expected to come under increasing pressure from manufacturers in the near- and medium-term.

ECONOMIC INDICATORS

	Real GDP Growth (%)	Total Exports (US\$ billion)	Total Imports (US\$ billion)	Container Throughput ('000 TEUs*)	Air Cargo Throughput ('000 Tonnes)	Exchange Rate to US\$ (31-Mar-06)
NORTH ASIA						
Japan	5.40% (Q4 05)	149.821 (Q1 06)	136.473 (Q1 06)	3,669.98 (Q1 06)	614.05 (Q4 05)	117.99
CHINA						
Beijing	13.30% (Q1 06)	8,100 (Q1 06)	17,170 (Q1 06)	n.a.	n.a.	8.02
Shanghai	12.30% (Q1 06)	52,701 (Jan-Feb 06)	37,649 (Jan-Feb 06)	2,886.00 (Jan-Feb 06)	340.00 (Jan-Feb 06)	8.02
Hong Kong	7.60% (Q4 05)	44,279 (Jan-Feb 06)	46,685 (Jan-Feb 06)	5,402.00 (Q1 06)	498.00 (Jan-Feb 06)	7.76
Guangzhou	13.50% (Q1 06)	4,012 (Jan-Feb 06)	4,075 (Jan-Feb 06)	895.50 (Jan-Feb 06)	n.a.	8.02
Chengdu	13.50% (Q1 06)	0,780 (Q4 05)	0,580 (Q4 05)	n.a.	49.00 (Q4 05)	8.02
SOUTH & SOUTHEAST ASIA						
Singapore	9.10% (Q1 06)#	64,530 (Q4 05)	55,190 (Q4 05)	5,847.00 (Q4 05)	497.60 (Q4 05)	1.62
Philippines	6.10% (Q4 05)	3,261 (Jan-06)	3,681 (Jan-06)	419.60 (Q4 05)	n.a.	51.16
Thailand	4.70% (Q4 05)	18,460 (Jan-Feb 06)	19,190 (Jan-Feb 06)	654.42 (Q1 06)	117.19 (Jan-Feb 06)	38.89
Vietnam	7.20% (Q1 06)	8,560 (Q1 06)	8,500 (Q1 06)	n.a.	n.a.	15,925.00

*TEU refers to Twenty-Foot Equivalent Units (based on a standardised container size of 20 ft x 8 ft x 8 ft.
#provisional

JAPAN

Changes to the logistics landscape, spurred by the growing emergence of global distribution solution operators, is prompting domestic logistics and distribution companies to leverage on their know-how and established local networks to tap into the lucrative JPY 1,140 billion 3PL market (2005 estimate, Yano Research Institute).

The trend became further evident in the first quarter of 2006 as major domestic forwarders were witnessed gearing up to compete in the market. Nippon Express, Japan's largest general transportation operator, established a new division to focus on 3PL solutions, whilst local industry rival, Sagawa Express launched a large 3PL distribution centre in central Tokyo in a bid to raise its market profile. Meanwhile, Yamato Holdings Company, Japan's second-largest transportation operator, recently teamed up with Seino Holdings Company in a joint venture to strengthen their footing in the 3PL business.

Meanwhile, increasing numbers of Japanese companies are also turning to 3PL as means to improve their operational efficiencies. The outsourcing strategy adopted by large retailers, such as Takashimaya, has reportedly helped to induce a saving of JPY 500 million in distribution costs amongst this business segment. To streamline its operations, Sanyo Electric Company, recently sold four warehouses and a headquarter building of Sanyo Electric Logistics Company to Prologis, with a combined area of 1.2 million sf, for approximately JPY 16 billion. This deal furthermore provided Sanyo the funds it needed to more effectively focus on its core businesses.

Japan Logistics Fund continued to be very active in the first quarter of 2006, acquiring seven properties at total value of JPY 39.2 billion in the Chiba and Kanagawa areas. Asking rents in the second half of 2005 for mid- to large-size facilities were JPY 5,640 per tsubo (US\$1.38 psf) per month.

SELECTED LEASING TRANSACTIONS IN Q1 2006

District	Property	Type	Size (sf)	Tenant
Misato, Saitama	Prologis Parc Misato	Logistics	505,910	Seiyu
Narita, Chiba	AMB Narita	Logistics	213,480	Excel Japan
Narita, Chiba	AMB Narita	Logistics	71,160	Sagawa Distribution Service

SINGAPORE

Business sentiment remained positive in the first quarter of 2006. Average rentals for hi-tech and factory space increased slightly. At the same time, while Singapore's industrial REIT players were largely quiet on the local front, overseas they were quite active.

In the first quarter of 2006, average monthly rents for prime factory space increased by S\$0.05 psf for both ground and upper floor units, to register at S\$1.25 psf per month and S\$1.00 psf per month, respectively. Average capital values for freehold factories increased by 2% to S\$332 psf for ground floor units and S\$270 psf for upper floor units. The marginal increase observed within the quarter not only reflected improved economic conditions but was also a result of the accumulative and sustained improvement which the market experienced over the second half of 2005.

Average rents for hi-tech space increased by 5.7% q-o-q to stand at S\$1.85 psf at end-March. A portion of the upward pressure on rentals can be attributed to some companies, which met the guidelines set by

the URA to lease industrial space, relocating back-room operations to hi-tech space because of the uptrend in office rentals observed in the market.

Average rents for warehouse space remained flat at S\$1.25 psf and S\$1.05 psf for ground and upper floors, respectively. Average capital values for warehouse space also held firm at S\$385 psf for ground floor units and S\$335 psf for upper floor units.

A-REIT bought four Singapore properties within the first quarter of 2006, a drop on the eight they acquired during the same period last year. MapletreeLog, meanwhile, did not buy any Singapore properties, however, they made acquisitions of four overseas properties in addition to acquiring portions of two buildings in Hong Kong. The relative lack of transactions in Singapore during the quarter was partially a function of the high expectations of vendors in the market.

Industrialists are cautiously optimistic on the outlook for 2006. As the economy strengthens, industrial rents are likely to hold firm or even increase marginally.

SELECTED LEASING TRANSACTIONS IN Q1 2006

District	Property	Type	Size (sf)	Tenant
5	305 Alexandra Road	Hi-tech	3,800	SembCorp Environmental Management
5	The Strategy	Business park	14,000	Hella Asia Singapore Pte Ltd

PRC-BEIJING

Since the end of 2003, Beijing has exerted greater control over releasing industrial land and extending the boundaries of existing industrial zones. The city currently has 28 industrial development zones, comprising an area of 414 sq km. National economic and technological development zones, including the Zhongguancun Hi-Tech Zone, which focuses on developing hi-tech industries, the Beijing Economic and Technological Development Zone (BDA), which focuses on modern manufacturing industry, and the Beijing Tianzhu Airport Industrial Zone, which is an export processing zone, account for over 75% of the total area.

In January 2006, Hyclone Biochemicals (Beijing) Company Limited, a developer of cell-culture and bioprocessing systems expanded its Beijing operations with the initiation of a manufacturing operation in District

B of the Beijing Tianzhu Airport Industrial Zone. This subsidiary of Fisher Scientific International Inc is the first foreign-funded enterprise to offer large-scale liquid-media manufacturing in China. Fisher Scientific International Inc, a Fortune 500 company, has a sales network covering 145 countries and regions around the world.

Meanwhile, on 18 January 2006, Baidu Online Network Technology (Beijing) Company Limited and Shangdi Information Industrial Base officially entered into an agreement concerning land assignment. According to this agreement, the last available piece of land covering an area of 394,640 sf in the Shangdi Information Industrial Base was sold for RMB 92.4 million and will be developed as a composite use office building that will accommodate the company's Beijing head office and will integrate office facilities with a physical fitness centre.

SELECTED LEASING TRANSACTIONS IN Q1 2006

District	Property	Type	Size (sf)	Tenant
Daxing	BDA	Factory	43,060	Perlos
Daxing	BDA	Factory	9,990	Saide Technology Co Ltd
Shunyi	Beijing Tianzhu Airport Industrial Zone	Factory	15,810	Tiantuo Dental Inc

PRC-SHANGHAI

Demand for industrial land and existing facilities remained high at the start of 2006, continuing the rising trend witnessed throughout 2005. Industrial land prices and facility rentals were witnessed having risen by 3%-10% within the first quarter of 2006. At the same time, as China continues to attract growing levels of overseas direct investment, increasing numbers of players which have already established operations in China are now embarked upon the second phase of their China investment programmes. This, in turn, is leading to increased levels of demand in China's industrial property market. Meanwhile, as overseas players are displaying a growing propensity for undertaking exploration of investment opportunities which lies well outside of China's first-tier cities. The deepening understanding of the China market on the part of these corporates is serving to make Jiangsu and Zhejiang provinces more attractive to foreign investment.

On the other hand, a large number of office parks in districts around Shanghai offer attractive opportunities to investors. Suburban office parks located on the urban fringe of Shanghai were witnessed attracting the attention of specialist industrial developers in 2005. New business parks or zones slated for release to the market include those located in Jinqiao, Zhangjiang, Fudi, Rui'an, Zhongbang. The development of such parks on Shanghai's fringe is expected to inject new life into the city's industrial market in 2006.

A number of overseas institutional investors continue to focus on acquiring industrial investment properties in and around Shanghai. They have been observed not only focusing on the core markets of Shanghai, Beijing and Guangzhou, but as they seek to spread their nets wider in the China market, have taken their market exploration activities into second-tier cities such as Tianjin, Shenzhen, Dalian, Suzhou and Hangzhou.

SELECTED LEASING TRANSACTIONS IN Q1 2006

District	Property	Type	Size (sf)	Tenant
Pudong	Waigaoqiao	Factory	10,760	DHL
Pudong	Waigaoqiao	Factory	86,110	Mastek
Pudong	Waigaoqiao	Factory	37,670	Weidmuller
Pudong	Zhangjiang (Capital of Leader)	Data centre	107,640	51job.com

PRC-HONG KONG

The sustained bullish performance of export trade in general provided support for rental growth of warehouse properties as logistics players are still seeking space to cater to their expanding operations. However, in view of the surging rentals, some tenants have opted to put their expansion plans on hold, which contributed to a slight rebound in warehouse vacancy, which rose from 2.1% in the last quarter to 2.4%. Nevertheless, such a correction should be short-term, given the squeeze on supply. Meanwhile, as capital values of warehouses had earlier appreciated to a relatively high level, the rate of appreciation corrected moderately in the first quarter, resulting in a boosted yield of 8.8%. In the factory segment, as strata factory sales activities were active at the start of 2006 the market saw growth in factory capital values outpace

rental growth, which in turn led to the average factory yields contract by 0.4 of a percentage point within the period under review. Viewed overall, the industrial market was buoyant in the first quarter of 2006. Acquisition of industrial properties en bloc was driven by the positive sentiment generated by earlier launch of REITs. Indeed, buoyancy was injected into the market by continued interest from institutional players who again played a major part in heating up the en bloc sales market, with Macquarie Goodman kicking the quarter off with their latest industrial acquisition, namely Wilson Logistics Centre in Kwai Chung, for HK\$243 million. Mapletree Logistics Trust Management then acquired the Pressfield Centre in Fanling for HK\$113 million in March, setting a relatively high benchmark for the area.

SELECTED LEASING TRANSACTIONS IN Q1 2006

District	Property	Type	Size (sf)	Tenant
Kwun Tong	Lu Plaza	I / O	30,000	Non-profit organisation
Kwai Chung	ICI Container Building	Warehouse	37,690	Oriental Logistics Co Ltd
Kwai Chung	Lucky Industrial Godown Building	Warehouse	11,000	Tai Zeus International Ltd
Quarry Bay	Westlands Centre	Industrial	4,520	Stratecom Co Ltd
Tuen Mun	Luks Industrial Building	Industrial	189,920	bigboXX.com

PRC-GUANGZHOU

Guangzhou's industrial sector continued to witness a high level of activity within the first quarter of 2006. A number of major projects either came into operation or were observed to be in the midst of large-scale construction work. To cite one such major project as an example, Federal Express commenced work on its new Asia Pacific air cargo transport and distribution hub at the Guangzhou Baiyun International Airport for the handling of all air cargo in the Asia Pacific region. The new US\$150-million FedEx distribution centre is expected to provide further stimulus to overseas manufacturers to establish production bases in southern China on the back of the improved transport linkages which this major global freight forwarding

hub will provide. In mid-January 2006, the National Development and Reform Commission approved the construction of a shipbuilding base, with investment capital amounting to US\$561 million. The base is located in the Nansha Development Zone, covering 59.2 million sf. Upon its completion, which is slated for 2009, it will be one of the three largest shipbuilding bases in China. Meanwhile, in March this year, Guangzhou's Longsha (Lonza) Research and Development Centre in Nansha District came into operation. The new centre comprises a 3,000-sf premises, with construction and research equipment costs estimated at US\$1.2 million and US\$4.4 million, respectively. Up to the present, Lonza Group of Switzerland had already injected capital totalling US\$320 million in Guangzhou.

SELECTED LEASING TRANSACTIONS IN Q1 2006

District	Property	Type	Size (sf)	Tenant
Luogang	Yonghe Economic Zone	Site	158,100	Jiadele Biology and Chemistry
Luogang	Yonghe Economic Zone	Site	109,200	Hengjia Electronics
Luogang	Scientific City	Site	315,600	Zehong Electronics
Luogang	Yonghe Economic Zone	Site	161,300	Fulankelin Stickiness
Luogang	Yonghe Economic Zone	Site	555,800	Maitu Machinery

PRC-CHENGDU

PetroChina's ethylene project, comprising a total investment of over RMB 20 billion is being constructed in Chengdu's Pengzhou District. This project is slated to have an annual output capacity of 800,000 mt/year. It is projected that this plant will be put into production within the next five years, which would enhance the development of Sichuan's chemical and textile industries.

Owing to the fact that Chengdu is an important commercial and trade centre in southwestern China and possesses one of the region's most active financial sectors, the city is rapidly evolving into one of the major logistics centres in southwestern China. In March, US-

headquartered Prologis, a leading provider of distribution facilities and services, committed to construct two high-end logistics parks in Chengdu, which are expected to be completed within the coming three years. Representing a total investment commitment of US\$40 million, one of the parks is located in Jinniu District with an area of 350 mu (2.5 million sf) and the other in Chenghua District.

Meanwhile, China National Cereals, Oils and Foodstuffs Corporation has signed an agreement with Wuhou District government to inject an investment of RMB 1.9 billion to jointly construct a logistics centre with an area of 1,244 mu (8.9 million sf) in the southwestern part of Wuhou District.

SELECTED LEASING TRANSACTIONS IN Q1 2006

District	Property	Type	Size (sf)	Tenant
Longquanyi	Long Teng Industrial Park	Factory	n.a.	ECIE
Gaoxin	Incubator Software Garden	R&D	10,750	O2 Micro
Longquanyi	Long Teng Industrial Park	Factory	57,050	Jiangsu Hengtong Photoelectric Stock Co Ltd

PHILIPPINES

Activity in most of the country's major industrial parks continued to be mixed and relatively subdued within the first quarter of 2006, with few major sales or leasing transactions observed during the period. However, a number of traditional industrial parks continue to report increased inquiries from Japanese and Taiwanese firms, which have been witnessed implementing diversification strategies with respect to their portfolio of manufacturing facilities so that they are less heavily skewed towards China.

The high note of the country's industrial sector was the signing of an agreement by South Korea's Hanjin Heavy Industries & Construction Co Ltd for a 50-year lease of 230 hectares of land to construct and operate a shipyard in the Subic Bay Freeport. Hanjin will invest up to

US\$1 billion over the next 10 years in a facility that will produce ship components, various steel structures, and liquefied natural gas carriers as well as other large ships.

Meanwhile, other industrial parks and economic zones continue to realign themselves to attract higher value added enterprises such as logistics facilities, call centres/BPOs and IT locators. In fact, within the quarter, the Berthaphil Business Park in the Clark Special Economic Zone signed a deal that will see Intellirisk take up approximately 53,820 sf of space specifically designed for a call centre locator. As expanding call centres/BPOs continue to seek to tap into special economic zones and other locales with suitable office space given the hardening office rentals and increasingly lack of alternatives in Metro Manila, it is expected that such deals will gradually become the mainstream.

SELECTED LEASING TRANSACTIONS IN Q1 2006

District	Property	Type	Size (sf)	Tenant
Clark Special Economic Zone	Berthaphil Business Park	Call centre	53,820	Intellirisk
Subic Bay Freeport	Subic Bay Industrial Park (Building)	Electronics manufacturing	7,380	Gigatek Inc
Subic Bay Freeport	Subic Bay Industrial Park (Site)	Manufacturer of food products	40,550	Bonsure Evergreen Int'l Corp
Subic Bay Freeport	Subic Bay Industrial Park (Site)	Trading and warehousing	8,520	Micro Kinetics, Inc

THAILAND

Industrial land sales in Thailand continued their upward trajectory in the first quarter of 2006. There were some large transactions in major industrial estates, with demand still stemming largely from the automotive and electrical appliance sectors. Major players were witnessed making site acquisitions to maintain adequate land resources for establishing new industrial estates and expanding existing ones. The demand for factories, both for operational and investment purposes, remained buoyant within the first quarter of 2006, with a number of overseas players seeking to make investment in the Thai logistics property market. The largest developer of RBFs (ready-built factories), TICON, is planning to expand the Ticon Property Fund (TFUND) by injecting 44

of its factories into the fund.

In late 2005, Amata Summit introduced Ota Techno Park (OTP), an RBF -concept park aimed at manufacturers located in Ota City. On the back of the strength of interest displayed in OTP, Amata is already planning the park expansion.

Prices at most industrial estates remained stable within the period under review, while average warehouse and factory rentals also remained stable ranging from THB 100- 150 psm (THB 9.3- 13.9 psf) per month and THB 180-190 psm (THB 16.7-17.7 psf) per month, respectively.

SELECTED LEASING TRANSACTIONS IN Q1 2006

District	Property	Type	Size (sf)	Tenant
Bangna	WHA	Warehouse	538,250	DKSH
Chachoengsao	K.R. Plastic	Industrial building	64,590	Interstate Smurfit-Stone (Thailand)
Bangkok	VR Holding	Warehouse	5,770	Royale International Couriers (Thailand)

VIETNAM

Ho Chi Minh City (HCMC)

Excluding newly-established IPs and the expanded portions of existing IPs, established IPs in HCMC recorded land occupancy of between 60% and 100% as of the end of the first quarter. Some typical IPs such as Amata and Loteco in Dong Nai; Le Minh Xuan and Tan Tao in HCMC; or VSIP and My Phuoc in Binh Duong have attracted much attention as well as overseas investment due to their convenience to transportation, good infrastructure and competitive land rental. In one case Korean tyre manufacturer Kumho injected investment capital of US\$380 million into a plant in My Phuoc IP for the production of automobile tyres.

A major development in HCMC's industrial market within the first quarter of 2006 was Intel's investment of US\$605 million into Saigon Hi-Tech Park (SHTP). In the wake of this, Nidec Corp (Japan) made an investment of US\$1 billion in SHTP. Meanwhile, the US-based Simdesk Technologies Co and SHTP have signed a memorandum of understanding on a feasibility study and pilot-run of an IT solutions project in the park. These first quarter agreements are an encouraging sign that the HCMC's industrial sector has made solid advances into the development of hi-tech industry. At present, HCMC authorities are positioning the further development of the city's EPZs and IPs to attract hi-tech investors. The level of land designated for industrial usage in HCMC is continuing to rise, as outlined in the city's long-term development master plan. City authorities have set aside reserves of land for EPZ and IP development that would take industrial site usage up to 7,000 ha by 2020.

Hanoi

For the first three months of the year 2006, Hanoi witnessed 26 new industrial projects with total investment capital of US\$455 million. These contract signings raise the total number of major industrial projects in the city to approximately 110, most of which are located in the city's centralised IPs. Meanwhile, Thang Long IP, being the first industrial park in Vietnam to be awarded the ISO 14001 certification, confirming its compliance with a recognised set of international industrial park standards, has attracted many foreign investors, particularly from Japan. Its newest licensed tenant is Panasonic Communication Vietnam, which invested a total capital of US\$76 million within the first quarter of 2006. Thang Long Industrial Park has to date attracted a total investment capital of around US\$800 million and generated a turnover of US\$390 million. Meanwhile, Noi Bai industrial park has attracted 28 tenants.

Average rentals at Hanoi's centralised industrial parks remained stable at about US\$1.5 psm (US\$0.14 psf) per year. The highest industrial rent in Hanoi is that achieved by the Thang Long Industrial park, at approximately US\$1.6 psm (US\$0.15 psf) per year, for leaseholds running 45 years. Over a 38-year lease term, Noi Bai Industrial park has achieved rentals of approximately US\$1.2-\$1.5 psm (US\$0.11 - \$0.14 psf) per year. The main types of manufacturing industry which have established a presence in Hanoi's industrial parks include electronics, mechanics, F&B, textiles, construction materials and furniture. The ongoing demand for factory space has driven not only the expansion of industrial parks but also the establishment of new industrial zones. For instance, Thang Long Industrial Park has just completed its third expansionary phase, with the addition of 89 ha to the park's previous 302 ha.



FOR ADDITIONAL INFORMATION, PLEASE FEEL FREE TO CONTACT:

GREATER CHINA

Beijing	Nick Ma	(86) 10 5820 9288	nick.ma@cbre.com.cn
Shanghai	Leonard Ng	(86) 21 2401 1200	leonard.ng@cbre.com.cn
Guangzhou	Alvin Lau	(86) 20 8732 2332	alvin.lau@cbre.com.cn
Chengdu	Loh Siang Huei	(86) 28 8667 0022	sianghuei.loh@cbre.com.cn
Hong Kong	Roy Chan	(852) 2820 2800	roy.chan@cbre.com.hk

NORTH ASIA

Japan	Ben Duncan	(81) 3 6230 1190	ben.duncan@cbre.co.jp
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SOUTH & SOUTHEAST ASIA

Singapore	Bernard Goh	(65) 6326 1232	bernard.goh@cbre.com.sg
Philippines	Jose Romarx Salas	(632) 752 2580	jojo.salas@cbre.com
Thailand	James Pitchon	(66) 2654 1111	james.pitchon@cbre.com
Vietnam	Marc Townsend	(848) 824 6125	marc.townsend@cbre.com

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, logistic warehouses as well as hi-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 an inducement offered in the form of an abatement of taxes 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.

Hi-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 hi-tech facilities are build-to-suit premises and only a minority are constructed for lease by private developers.

In Beijing, hi-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, hi-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. Also, premises located within container terminals are 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 modification for industrial/office use and certified for occupation as such. The stock is distributed in 10 districts throughout the Hong Kong Special Administrative Region, with predominance in Kwun Tong, Cheung Sha Wan, Shum Shui Po, Kwai Tsing and Sha Tin, which together account for 80% of the total space.

Factory

This category comprises flatted factories and ancillary office accommodation. This includes flatted factory space with planning permission for industrial/office use, but for which government lease modification has not yet been completed. Also included in this category is strata-titled 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 mix of these and light industrial uses, they should be distinguished from buildings with proper industrial/office status. A majority of the stock is distributed in four districts, 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 affiliates a small office for employees working there. The purpose of the office is, however, not for conducting business with customers, but solely for the general operation of the warehouse. In greater Tokyo, those categorised as warehouses are concentrated in Narita Airport, Port of Chiba, Port of Tokyo, 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 where goods are made. 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 the 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 at Tuas and Jurong. Pockets of industrial factories can also be found along Sungei Kadut, Mandai, Woodlands East, Kaki Bukit, Eunos and Ayer Rajah among others.

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

1. Multiple-User Factory

This usually refers to a factory building where it is subdivided into individual strata-titled 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 the purpose 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 Science Park, International Business Park, Changi Business Park and Biopolis.

Warehouse

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

Hi-tech industrial

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

THAILAND

Industrial Estates

An industrial estate in Thailand resembles an industrial town or industrial city providing complete infrastructure necessary for industrial operations such as ample electricity, water supply, flood protection, waste water treatment, solid waste disposal, etc. It is accessible to seaports, airports and other transportation centres. Besides providing communication facilities and security systems, an industrial estate also contains 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:

- 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)
- Wholly owned and managed by the private sector (i.e. industrial parks and industrial zones)

Serviced Industrial Land Plots

Serviced industrial land plots (SILP) 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 the location of industries manufacturing for domestic and/or export consumption. EPZs are areas reserved for the location of industries manufacturing for export only. FTZs are areas reserved for industries manufacturing for both domestic and export consumption and a Customs office is

located within the area, enabling manufacturers to deal with the Customs Department directly. The minimum export scheme is not applied to FTZs, unlike in EPZs, the former classification used by the BOI where manufacturers are required to export at least 80% of the 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 with lower start-up costs. They can quickly mobilise operations once they get orders from a customer. Most factories are single storey with mezzanine level offices, and are detached, with each unit separated from other units with security railing walls. Factory sizes range mainly between 800 and 3,000 sm.

VIETNAM

Enterprises operating within industrial zones are depending on the specifics of their businesses, 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.

Asian Industrial/Hi-Tech Facilities/Logistics Property

Market Flash

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Hong Kong

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

Beijing

People's Republic of China
Suite 1203-1205
12/F, Beijing Fortune Plaza, Tower A
7 Dong San Huan Zhong Road
Chaoyang District
Beijing 100020
People's Republic of China
Telephone: (86) 10 5820 9288
Facsimile: (86) 10 5820 9088/9188

Shanghai

People's Republic of China
Suite 3201, 3203-3206
32/F, K. Wah Center
1010 Huai Hai Middle Road
Shanghai 200031
People's Republic of China
Telephone: (86) 21 2401 1200
Facsimile: (86) 21 5403 7519

Guangzhou

People's Republic of China
Suite 2001, Guangzhou
International Electronics Tower
403 Huanshi Road East
Guangzhou 510095
People's Republic of China
Telephone: (86) 20 8732 2332
Facsimile: (86) 20 8732 2981

Chengdu

People's Republic of China
Suite 2906, Building A, Times Plaza
No. 2, Zong Fu Road
Chengdu 610016
People's Republic of China
Telephone: (86) 28 8667 0022
Facsimile: (86) 28 8667 2121

Singapore

Six Battery Road, #32-01
Singapore 049909
Telephone: (65) 6224 8181
Facsimile: (65) 6225 1987

Bangkok, Thailand

46th Floor, CRC Tower
All Seasons Place
87/2 Wireless Road
Lumpini, Pathumwan
Bangkok 10330
Thailand
Telephone: (66) 2 654 1111
Facsimile: (66) 2 685 3300-1

Phuket, Thailand

12/9 Moo 4
Thepkrasattri Road
Koh Kaew, Amphur Muang
Phuket 83000, Thailand
Telephone: (66) 76 239 967
Facsimile: (66) 76 239 970

Jakarta, Indonesia

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

Taipei, Taiwan

7/F Cosmos Building
134 Sec 3
Minsheng East Road
Taipei, Taiwan
Telephone: (886) 2 2713 2266
Facsimile: (886) 2 2712 3065

Tokyo, Japan

28/F, Izumi Garden Tower
1-6-1 Roppongi
Minato-Ku
Tokyo 106-6028, Japan
Telephone: (81) 3 6230 1188
Facsimile: (81) 3 6230 1177

New Delhi, India

Press Trust of India Building
Ground Floor, 4 Parliament Street
New Delhi 110 001, India
Telephone: (91) 11 2335 7448/49
Facsimile: (91) 11 2331 7670

Mumbai, India

9A, 2/F, Laxmi Tower
C-25, G Block
Bandra Kurla Complex
Bandra (E)
Mumbai 400 051, India
Telephone: (91) 22 2652 7628/7665
Facsimile: (91) 22 2652 7655

Bangalore, India

3rd Floor, The Hulkul
81/37, Lavelle Road
Bangalore 560 001, India
Telephone: (91) 80 5112 1240-49
Facsimile: (91) 80 5112 1239

Chennai (Madras), India

2-C&D, Gee Gee Emerald
151 Village Road
Nungambakkam
Chennai 600 034, India
Telephone: (91) 44 2821 4599
Facsimile: (91) 44 2821 4607

Hyderabad, India

Eden Garden 8-2-595/3/5
Road No:10, Banjara Hills
Hyderabad 500 034, India
Telephone: (91) 40 2335 8887
Facsimile: (91) 40 2335 8886

Pune, India

CB Richard Ellis
South Asia Pvt. Limited
Bungalow No. 33
Hermes Heritage
Phase I, Nagar Road
Shashtrinagar, Pune, India
Telephone: (91) 20 3094 6577

Seoul, Korea

12/F, Korea First Bank Building
100 Kongpyung Dong, Jongro-ku
Seoul, Korea 110-702
Telephone: (822) 2170 5800
Facsimile: (822) 2170 5899

Manila, Philippines

Suite 1003-1005
10/F Ayala Tower One &
Exchange Plaza, Ayala Avenue
1200 Makati City
Philippines
Telephone: (632) 752 2580
Facsimile: (632) 752 2571

Hanoi, Vietnam

Unit 12A, Vincom City Tower
191 Ba Trieu Street
Hanoi, Vietnam
Telephone: (844) 220 0220
Facsimile: (844) 220 0210

Ho Chi Minh City, Vietnam

Unit 1301, Me Linh Point Tower
2 Ngo Duc Ke Street, District 1
Ho Chi Minh City, Vietnam
Telephone: (848) 824 6125
Facsimile: (848) 823 8418

11, Thao Dien, An Phu
District 2, Ho Chi Minh City
Vietnam
Telephone: (848) 744 2621/22
Facsimile: (848) 744 2620

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CB RICHARD ELLIS