



## ASIAN INDUSTRIAL PROPERTY **MARKET FLASH**

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EXECUTIVE SUMMARY

Upbeat performance in most of Asia's industrial property markets continued in the second quarter, buttressed by sustained growth in the manufacturing sector and robust demand for logistics facilities. Industrial land prices in China appreciated further following the establishment of a system of minimum industrial land prices and the mandatory use of market mechanisms in the primary sales of industrial land.

In **Japan**, vacancy at large-scale multi-tenant distribution centres in and around Tokyo edged up by 50 basis points over the quarter to 8.9%, as continued demand from 3PL operators was offset by the completion of new facilities. With a strong development pipeline, competition among landlords to attract tenants intensified, resulting in downward pressure on rents. Despite weaker market conditions, logistics assets continued to attract interest from both overseas and domestic private funds, and market sentiment suggests that the perceived risk premium for the sector is diminishing on the back of its growing acceptance as an investment class.

Average rents for all industrial space in **Singapore** continued to increase in the second quarter of 2007, with high-tech space posting its highest quarterly increase in five years. Rents are expected to rise further due to supply constraints in the office market and increasing demand amid optimism about business conditions.

The newly opened Hong Kong-Shenzhen Western Corridor and booming trading activity sustained the strong demand for **Hong Kong** industrial properties, and property values continued to rise in the second quarter. However the limited stock of investment-worthy properties and fragmented ownership combined to make large-scale acquisitions difficult, and the bulk of en bloc transactions involved smaller industrial buildings.

In **Mainland China**, the second quarter saw the full implementation of the policies requiring industrial land to be sold through public bidding, auction and listing. Industrial property rents and prices in the cities surveyed continued to increase or remained stable.

In **Beijing**, the average industrial rent was RMB 52.1 psm, an increase of 2% compared with the first quarter. The price of industrial land, at RMB 1,200 psm, registered 4.1% growth compared with the previous quarter. The land use rights of 120 industrial sites in **Shanghai** were transferred under the new regime during the second quarter. Industrial

land prices rose 2.2% q-o-q to RMB 898.8 psm (RMB 83.5 psf), while the average facility rent increased 0.8% to RMB 31.5 psm (RMB 2.9 psf) per month. **Guangzhou's** industrial property market was relatively stable during the second quarter. Both the average rents and land prices for industrial property were unchanged, with rents averaging RMB 25.2 psm per month and prices averaging RMB 445.3 psm. **Chengdu's** industrial sector continued to develop rapidly in the second quarter of 2007, with concentrated industrial development zones attracting increasing numbers of enterprises.

In **Vietnam**, the value of Ho Chi Minh City's industrial output increased by 12.6% (q-o-q) in the first half of 2007, slightly lower than the 13% growth rate during the same period last year. Lawsuits regarding leather and footwear exports to Europe and garment and textile exports to the United States have led to the loss of some major contracts, one cause of the drop in the growth rate. However major high-tech investments and industrial park development projects were announced during the quarter. Hanoi's second quarter GDP growth of 11.2% was the highest in the past five years. During the first half of 2007, an estimated US\$120 million of investment capital entered industrial parks, 71% of the amount in the same period of 2006, with the decline due to lack of available space. The total income of FDI enterprises in industrial parks increased sharply as WTO commitments enabled direct transactions with overseas partners with preferential tariffs and trading rules.

The prospect of a general election in **Thailand** in late 2007 or early 2008 acted to slightly improve market confidence in the second quarter, while the government's approval of tax incentives for automakers investing at least THB 5 billion in eco-car manufacturing spurred investment in the sector. The sales of industrial land in the second quarter increased on both a quarterly and yearly basis. Industrial developers are increasingly positive about the market over the rest of the year, thanks to the policy support on eco-cars and increase in project approvals in the second quarter.

Activity in the semiconductor, manufacturing and electronics sectors continued to dominate activity in the **Philippines'** industrial property markets. Amid a shortage of traditional office space, the majority of ICT/ITeS companies have relocated to business and industrial parks to take advantage of the flexibility and incentives they offer. There has also been strong demand for industrial properties from shipbuilding, logistics and utilities companies, due to the present upbeat economic conditions.

## INDICATIVE LAND VALUES

Country	City	Industrial Park	Indicative Land Values (psf)		Forex (30-June-07)	
			Local currency	US\$ equivalent		
<b>GREATER CHINA</b>						
<b>PRC</b>	Beijing	Zhongguancun Life Science Park	RMB	147.7	19.4	7.613
		BDA		51.1	6.7	
		Beijing Tianzhu Airport Industrial Zone		97.5	12.8	
	Shanghai	Zhangjiang High-tech Park	RMB	165.3	21.7	
		Jinqiao Export Processing Zone (South)		109.5	14.4	
		Qingpu Industrial Zone		48.2	6.3	
	Guangzhou	Yonghe Economic Zone	RMB	55.7	7.3	
		Science City		55.7	7.3	
		Nansha Development Zone		31.2	4.1	
		Airport Economic Zone		26.8	3.5	
	Chengdu	Chengdu High-Tech Development Zone	RMB	44.6	5.9	
		Chengdu Economic & Technological Dev. Zone		15.6	2.0	
<b>SOUTHEAST ASIA</b>						
<b>Singapore</b>		60-year leasehold land	S\$	40-45 /plot ratio	26.2 - 29.4	1.530
<b>Thailand</b>	Bangkok	Amata Nakorn Industrial Estate, Chonvuri	THB	255.5	7.4	34.525
		Eastern Seaboard Industrial Estate, Rayong		145.2	4.2	
		Wellgrow Industrial Estate, Chachoengsao		267.0	7.7	
		Rojana Industrial Park, Ayutthaya		174.2	5.0	
		Nava Nakorn Industrial Zone, Pathumthaini		290.0	8.4	

## INDICATIVE INDUSTRIAL RENTAL VALUES

Country	City	Type of Space	Indicative Rental Values (psf)		Forex (30-March-07)	
			Local currency	US\$ equivalent		
<b>NORTH ASIA</b>						
<b>Japan</b>	Tokyo	Mid to large distribution center	JPY	143.60	1.16	123.495
<b>GREATER CHINA</b>						
<b>PRC</b>	Hong Kong	Factory	HK\$	6.9	0.88	7.818
		Warehouse		6.3	0.80	
<b>SOUTHEAST ASIA</b>						
<b>Singapore</b>	Singapore	Factory Space	S\$	1.10 - 1.35	0.72-0.88	1.530
				1.15 - 1.45	0.75-0.95	
<b>Thailand</b>	Bangkok	Factory Space	THB	16.72-18.58	0.5 - 0.5	34.525
<b>Philippines</b>	Manila	Greenfield Automotive Park*	PHP	8.87	0.19	46.250
		Lima Technology Center*		4.48	0.10	
		Carlmeiray Industrial Park I (Factory)		16.81	0.36	
		Filinvest Technology Park (Factory)		11.21	0.24	
		Calamba Premier International Park (Factory)		12.33	0.27	

\* Land sites

JAPAN

TOKYO

Foreign funds continued to be a major force in the logistics sector during the second quarter. In June, ProLogis announced the construction of a multi-tenant distribution centre in Ichikawa, Chiba, a prime location with good access to Narita and Tokyo. ProLogis Parc Ichikawa I, with approximately 1.6 million sf of GFA over six floors, will be ProLogis' largest Greater Tokyo distribution centre upon completion in late 2008. Demand for high-specification logistics space remained strong in major regional cities, with ProLogis announcing plans to develop six large-scale distribution centres in the Tohoku region.

The quarter also saw Nomura Real Estate Holdings introduce a private fund that will invest up to JPY 200 billion in the development of distribution facilities over the next two years. Primarily situated in the Greater Tokyo area, the projects will be high-specification facilities with GFAs of at least 110,000 sf. According to media reports, companies such as Nissan Motor-affiliated manufacturers and Ito-Yokado are

currently negotiating for space in the facilities.

Despite healthy demand for high-specification facilities, new supply exceeded demand in Greater Tokyo, and vacancy at large-scale multi-tenant distribution centres edged up from 8.4% to 8.9% over the quarter. With increased competition for tenants, the average rent for mid-to-large distribution centres of over 35,580 sf (1,000 tsubo) fell from JPY 151.2 psf (JPY 5,380 per tsubo) to JPY 143.6 psf (JPY 5,110 per tsubo) per month. Going forward, the robust development pipeline is expected to continue to restrain rental growth.

The sector has evolved into an accepted investment class and become a popular target for investors. Against this backdrop, market sentiment suggests that the benchmark yield for prime Tokyo facilities has compressed to 4.75%, narrowing the premium for logistics facilities over office properties.

SELECTED LEASING TRANSACTIONS IN Q2 2007

District	Property	Type	Size (sf)	Tenant
Atsugi, Kanagawa	Nomura Atsugi	Distribution centre	267,000	UDL
Ota-ku, Tokyo	Tokai Warehouse	Distribution centre	149,000	Hitachi Transportation System
Koto-ku, Tokyo	AMB Shinkiba	Distribution centre	32,000	UPS Japan
Koto-ku, Tokyo	AMB Shinkiba	Distribution centre	21,000	OCS

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

SINGAPORE

SINGAPORE

Average rents for high-tech space increased 11.9% to S\$2.35 psf per month in the second quarter, the highest quarterly increase in the past five years. The steady rise in office rents has encouraged many qualifying companies to turn to high-tech space, and rents are expected to increase further as office space will remain in short supply.

During the second quarter, average monthly rents for factories saw another S\$0.05 psf quarterly increase, to S\$1.35 psf for ground floor units and S\$1.1 psf for upper floor units. Average capital values for freehold factory space rose by about 5% during the quarter to S\$366 psf (ground floor units) and S\$298 psf (upper floor units).

Average monthly rents for warehouses also increased, with rents for ground floor units increasing 11.5% q-o-q to S\$1.45 psf while upper floor units rose by 4.5% q-o-q to S\$1.15 psf. However average capital values for freehold warehouses stayed firm at S\$404 psf for ground floor units and

S\$352 psf for upper floor units, due to lack of transactions.

The only industrial site awarded during the quarter, Tampines Street 92/ Simei Avenue, was transferred to Storhub Self Storage Pte Ltd for S\$8.69 million (S\$29 psf/plot ratio). The confirmed list for the second half of 2007 includes a 5.1-hectare site in Sin Ming Lane and a 2.1-hectare site in Jalan Tepong. Both sites can yield a maximum GFA of 156,900 sm (1.69 million sf). Seven sites, with a potential maximum GFA of 190,800 sm (2.05 million sf), were on the reserve list.

Sime Darby's Enterprise Centre and Soilbuild's Eightrium @ Changi Business Park were officially launched for lease in the quarter. Located off Jalan Bukit Merah, Enterprise Centre has a total lettable area of about 4,413 sm (47,500 sf). Eightrium @ Changi Business Park has a net lettable area of 16,537 sm (178,000 sf) and is achieving monthly rents between S\$3.20-\$3.50 psf.

SELECTED LEASING TRANSACTIONS IN Q2 2007

District	Property	Type	Size (sf)	Tenant
3	The Comtech	Hi-Tech	110,000	HSBC
3	The Comtech	Hi-Tech	87,000	DBS
3	The Comtech	Hi-Tech	37,000	American Express
16	Eightrium @ Changi Business Park	Business Park	40,000	Nestle

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## PEOPLE'S REPUBLIC OF CHINA

## BEIJING

Industrial parks are increasingly attractive to MNCs as urban office rents continue to rise. On 25 May, Nokia announced that the main construction of its new RMB 450 million China headquarters in the Beijing Yizhuang Economic Development Zone had been completed and that the facility would enter service before 2008. Siemens and Motorola are also developing China headquarters in Wangjing Science and Technology Park.

In recent months MNCs setting up manufacturing plants in Beijing have had to reckon with increased costs due to the limited supply of industrial land and rising industrial land prices. In addition, some well-established industrial/business parks have established higher criteria for companies entering their parks. The Beijing Economic - Technology Development Area, for example, only allows enterprises that plan to invest more than US\$10 million to enter the park.

Developers are keen to develop business parks in industrial zones, as small office buildings with enhanced functions and features, low density, modern architecture and surrounding amenities are in demand. Several projects of this type have already been developed, including Advanced Business Park in Fengtai Science Park and BDA International Business Park in the Beijing Economic-Technology Development Area, respectively developed by Dauphin Science Business Park, Construction & Development and Beijing Jingkai Investment & Development. Additional business parks are planned in other Beijing industrial zones, including Lando Industrial Park and the Tianzhu Airport Industrial Zone.

According to the latest industrial land transfer policies, industrial land can only be transferred through bidding, auction or listing from 30 June 2007. The adoptions of public bidding, in which a minimum land price is set, and the anticipation of further increases in industrial land prices have increased total costs for industrial properties. Rents for industrial real estate are also expected to increase.

## SELECTED LEASING TRANSACTIONS IN Q2 2007

District	Property	Type	Size (sf)	Tenant
Shunyi	Beijing Airport Industrial Zone	Factory	16,340	Ruicade Technology
Daxing	Beijing Bioengineering & Pharmaceutical Industrial Park	Factory	8,611	Beijing Minhai Biotechnics
Shunyi	Beijing Airport Industrial Zone	Factory	12,733	Beijing Mogul International Fashion
Tongzhou	Liando Valley U Industrial Park	Factory	29,708	Zhongdian Xinyuan High Voltage and Electric Technology

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## PEOPLE'S REPUBLIC OF CHINA

## SHANGHAI

The second quarter saw 120 industrial land plots posted in five "land use right transfer announcements", signalling the full implementation of the public bidding, auction and listing method mandated by the Central Government in 2006.

In addition to specifications such as plot size and plot ratio, the announcements included requirements concerning investment amount and potential bidders' industries. For example, the announcement for Site No. 200701001 in Jinshan District specified that bids be from plastic board/pipe or other material manufacturing companies and required a total investment of between RMB 150-175 million. Although the inclusion of bidder-related requirements reduced competition, large swathes of industrial land have now been transferred through public bidding, listing, and auction.

Government programmes curbing the supply of industrial land, rising

demand from the manufacturing, logistics and high-tech industries, and changes to land transfer mechanisms have led to rapid increases in land prices since late 2006, and prices of industrial land in Shanghai rose an additional 2.2% q-o-q, to RMB 898.8 psm in the second quarter.

The high level of leasing activity, especially in the logistics sector, again evidenced strong demand for quality facilities. US automotive supplier Arvinmeritor leased an 11,675-sm (125,670 sf) warehouse in Waigaoqiao, while Nippon Express took up an 11,200-sm (120,557 sf) warehouse in the Northwest Logistics Park in Putuo District. Demand for factory space was also strong, as GE committed to a 7,000-sm factory in Waigaoqiao and Grammer leased a 9,800-sm factory in Kangqiao.

Amid keen demand for high-quality properties, average industrial facility rent continued to grow in the second quarter, rising 0.8% q-o-q to RMB 31.5 psm (RMB 2.93 psf) per month.

## SELECTED LEASING TRANSACTIONS IN Q2 2007

District	Property	Type	Size (sf)	Tenant
Pudong	No. 65 Waigaoqiao	Factory	75,348	GE
Pudong	No. 44 Waigaoqiao	Warehouse	125,670	Arvinmeritor
Pudong	Kangqiao Industrial Zone	Factory	105,487	Grammer
Putuo	Northwest Logistics Park	Warehouse	120,557	Nippon Express

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## PEOPLE'S REPUBLIC OF CHINA

## HONG KONG

The opening of the Hong Kong-Shenzhen Western Corridor on 1 July is expected to further facilitate logistics activities between Hong Kong and the Pearl River Delta. The direct link to the mainland's highway network is likely to benefit areas of the northwestern New Territories with easy access to the Corridor, including Yuen Long and Tuen Mun, and the effects are already being felt in the industrial market. Strong investment interest in these areas has supported capital values and rents of industrial properties. In the most noteworthy example of this positive sentiment, Yu Tai Hing Company Ltd acquired four Yuen Long industrial buildings for a combined value of HK\$213.88 million in April with a view to redeveloping the buildings into a logistics centre with a maximum GFA of 290,000 sf.

However, the limited supply of investment-worthy stock and fragmented ownership made large-scale acquisitions difficult. As a result, most of the quarter's en bloc transactions involved smaller buildings and the value of total considerations dropped 50% q-o-q, while the total area

involved was just 60% of that registered in the first quarter.

Warehouse vacancy continued to decline, tightening 0.3 percentage points q-o-q to 1.7%. Flourishing demand for warehouse space was reflected in both capital values and rents, which rose 2.9% and 0.9% q-o-q, respectively. In Aberdeen, the Hing Wai Ice & Cold Storage Warehouse changed hands for HK\$100 million in June after being transacted for HK\$86.8 million nine months before, representing a price appreciation of 15%.

Driven by the enthusiasm for strata-title office transactions, capital values of I/O properties surged 5.8% q-o-q in the second quarter, while rents saw comparatively moderate q-o-q growth of 1.4%. Asking prices for two new Kwun Tong projects, Billion Place and Millennium City Phase 6, have boosted prices of nearby commercial properties including I/O premises. Meanwhile, factories continued to see growth in both capital and rental values, which rose by 3.4% and 1.7% q-o-q, respectively.

## SELECTED LEASING TRANSACTIONS IN Q2 2007

District	Property	Type	Size (sf)	Tenant
Chai Wan	Sino Favour Centre	Industrial	12,687	Michelle International Transport
Fo Tan	Unison Industrial Centre	Industrial	9,389	Prime Disc Ltd
Kwai Chung	Hong Kong Worsted Mills Industrial Building	Industrial	8,060	Ko Fung Product Ind Ltd
Kwun Tong	Aitken Vanson Centre	I/O	5,723	Damovo HK Ltd

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## PEOPLE'S REPUBLIC OF CHINA

## GUANGZHOU

Following the Central Government's mandate that industrial sites be transacted publicly through bidding, listing or auction, the Guangzhou Bureau of Land Resources and Housing Management released implementation measures on public land sales for industrial developments in the second quarter of 2007.

Seventeen plots of land designated for industrial development were put up for tender in the quarter under review in Guangzhou Science City, one of the primary sub-parks in the Guangzhou Development District. As in other cities, the tender documents specified criteria concerning eligible industries and investment amount. Fifteen of the plots were sold at the opening bid, with an average transacted land price of RMB 600 psm. The average price, while about 35% above the average industrial land price in Guangzhou, was in line with previous transactions in Science City and other projects in the Luogang area, where industrial land prices are the most expensive in Guangzhou.

In the industrial property leasing market, no clear rental growth was recorded for industrial premises (industrial offices, manufacturing facilities and logistics parks) in the second quarter.

Earlier this year, Microsoft, Intel, IBM and several other Fortune 500 firms contracted to set up R&D centres in Guangzhou Science City. Companies along these companies' supply chains are expected to follow these behemoths to Science City, driving up demand for industrial office space.

Over the next 18 months new supply of industrial office space in eastern Guangzhou will be concentrated in Guangzhou Science City. Approximately 250,000 sm of new supply is in the pipeline, including a new phase of TCL Cultural Industries Park; the second phase of Zhi Tong Industrial Park; the third phase of International Technology Innovation Base; and the A, B and C blocks of the Integrated Hatch District.

## SELECTED SALES TRANSACTIONS IN Q2 2007

District	Property	Type	Size(sf)	Price (RMB mn)
Luogang	Yonghe Economic Zone YH-P-6	Site	660,260	36.81
Luogang	Science City KXC-M3-1	Site	321,830	17.94
Luogang	Science City KXC-N1-2	Site	216,440	12.07

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## PEOPLE'S REPUBLIC OF CHINA

## CHENGDU

The accumulated added value of large-scale industrial enterprises in Chengdu in the first half of 2007 reached RMB 44.66 billion, increasing 26.3% y-o-y. During the first five months of 2007, 480 industrial enterprises signed leases for industrial land in Chengdu.

The Chengdu National Cross-Strait Technology Industrial Park saw two major deals in the quarter as Ting Hsin International Group and Tsingtao Brewery leased space. Ting Hsin will invest US\$150 million to build a comprehensive production base for Taiwan food company Master Kong. Expected to be operational in 2009, the project will cover a planned area of over 4.3 million sf. Work on Tsingtao's RMB 800-million brewery began at the end of June. The brewery will have an annual production capability of 400,000 kilolitres and should commence production in August 2008.

Elsewhere, Sichuan Xiuzheng Pharmaceutical Group invested RMB 800

million to construct its Sichuan production base, Chengdu Langzun Food Co invested RMB 96 million to build a Green Food Production Base in the Southwestern Airport Economic Development Zone. Jiangsu Longliqi Group and Sichuan Yibin Universe Group entered the Chengdu National Economic & Technological Development Zone, while Futong Group, a leading Chinese manufacturer of optical fibre, communication cables and related products, took space in the western part of the Chengdu High-Tech Development Zone.

On 29 May, an industrial land plot with a net land area of 316,800 sf in Xinjin County, Chengdu City was sold by listing for RMB 10.41 psf to Sichuan Deyi Green Food Co. Five industrial land plots in Longquanyi, Jintang and Pujiang counties will be transacted via listing in July. The largest plot, with a net land area of around three million sf in Longquanyi, having the highest base price, at RMB 36.25 psf.

## SELECTED LEASING TRANSACTIONS IN Q2 2007

District	Property	Type	Size (sf)	Tenant
Wenjiang	Chengdu National Cross-Strait Technology IP	Factory site	4,305,600	Ting Hsin International Group
Wenjiang	Chengdu National Cross-Strait Technology IP	Factory site	2,152,800	Tsingtao Brewery Co Ltd
Longquanyi	Chengdu National Economic Technological Dev. Zone	Factory site	1,004,600	Jiangsu Longliqi Group Co Ltd
Gaoxin	Chengdu Hi-Tech Development Zone (West Park)	Factory site	2,224,600	Futong Group

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## PHILIPPINES

## MANILA

Average rental rates across all types of industrial properties changed very little q-o-q in the second quarter. Rental rates across similar industrial properties in CALABARZON range from PHP 8 to PHP 17 psf per month.

According to the Philippine Economic Zone Authority, the first two months of 2007 saw an increase of 230% compared to the same period last year in investments in economic zones and industrial estates. The largest commitments were by Epson Precision Philippines in the Light Industry & Science Park/Lima Technology Center, and Philippine Samsung Electronics in the Calamba Premier Industrial Park special economic zone.

Several investors and manufacturers, including automakers and semiconductor firms, have announced plans to expand their business in the country, with the additional facilities expected to occupy more than 30 hectares in prime economic zones.

Ford Motor Co, for example, opened a plant manufacturing engines that run on gasoline and ethanol (Flex Fuel Vehicles) in Santa Rosa in the second quarter. Other auto companies are also examining options in the Philippines; including Nissan, which is considering expansion through its Filipino partner. Shipbuilders located in economic zones have also expanded, with Hanjin Heavy Industries expanding its facilities in the Subic Bay Freeport.

Increased demand for energy has pushed utility companies to expand their production capacity. Trans-Asia Energy and Development Corp, for example, plans to expand its power generation and distribution facility in Carmelray Industrial Park since output has reached its intended capacity and the company expects demand to increase as more industrial enterprises enter the Philippines. Petroleum retailers including PTT Philippines Corporation, Total Philippines Corp, Petron Corporation, and Pilipinas Shell Petroleum Corp, have planned to expand their networks of service stations amid increasing demand, especially from the logistics sector.

## SELECTED LEASING TRANSACTIONS IN Q2 2007

District	Property	Type	Size (sf)	Tenant
Clark Economic Zone	Property in Clark Economic Zone	Factory	828,800	Texas Instruments
Subic	Subic Bay Freeport	Shipbuilding	30,354,200	Hanjin Heavy Industries and Construction
Calabarzon	Greenfield Automotive Park	Factory	na	Ford Motor Co
Calabarzon	First Philippine Industrial Park	Factory	818,100	Sun Power Philippines Manufacturing Ltd

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## THAILAND

With the slightly more stable political situation and improvements in some economic indicators, the industrial property market began to show signs of improving in the second quarter, and there are signs that activity may pick up further in the second half of the year.

Sales of serviced industrial land plots (SILPs) rose significantly, with the 960 rai sold during the quarter representing an increase of 46.6% q-o-q and 63.3% y-o-y. The average price of SILPs remained between THB 3-4 million per rai. Rents for ready-built factories were also stable, averaging THB180-200 psm per month.

The Board of Investment approved THB 352.6 billion of investments in the first half of 2007, an increase of 63.1% y-o-y. Sectors receiving approvals for significant investment included services, infrastructure and manufacturing. In the first five months of 2007 there was US\$1.9 billion of FDI in Thailand's industrial sector, an increase of 4.6% compared with the previous year.

### SELECTED LEASING TRANSACTIONS IN Q2 2007

District	Property	Type	Size (sf)	Tenant
Samutprakarn	Warehouse	Lease	130,000	Yusen Air & Sea Service
Chachoengsao	Warehouse	Lease	52,700	Takata
Chonburi	Factory	Lease	22,600	Endurance Far East

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## VIETNAM

In the second quarter of 2007, Ho Chi Minh City (HCMC) continued to attract projects in the high-tech sector, a major goal of the municipal authorities. In April, Saigon High-tech Park granted an investment certificate to Jabil Circuit Singapore, a global top ten electronics contract manufacturer by annual revenue. Jabil will invest US\$100 million to develop a 50,000-sm plant for the assembly and testing of printed circuit boards, assembly of components, plastic injection moulding and tooling production.

China Construction Corp, Qian Sheng Mineral Exploiting Co and Xie Li Point Stock Co are developing a 600-hectare industrial park targeting Chinese companies involved in light industrial manufacturing. Located in Tien Giang Province, 40 kilometres south of HCMC, the first phase of the US\$100 million park is expected to be finished by the end of 2008.

Two new industrial parks are being developed in Long An Province,

### SELECTED LEASING TRANSACTIONS IN Q2 2007

District	Property	Type	Size (sf)	Tenant
Vung Tau	Phu My II Industrial Park	Steel Manufacturing	n.a	Tong Hwei (Taiwanese)
Dist 9	Saigon Hi-tech Park	High-tech manufacturing	5,382,000	Jabil Circuit (Singapore)
Dong Nai	Amata Industrial Park	Industrial	n.a	Altech (USA)

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## BANGKOK

In June, the Cabinet approved tax incentives for automakers investing at least THB 5 billion in eco-car manufacturing projects. As part of the eco-car incentive programme it also reduced excise taxes on eco-cars (cars with engines below specified sizes), to 17%, just over half the standard 30% tax on automobiles. This will lower eco-car retail prices by approximately THB 65,000 from 1 October.

Automakers were quick to react, with Honda announcing a THB 6.2 billion expansion project to begin eco-car production in Thailand, doubling its production capacity in the country. Toyota has also expressed its intention to enter this market, and the eco-car tax incentives are expected to spur investment in the automotive industry and benefit industrial land developers in locations popular with automakers and their suppliers.

## HO CHI MINH CITY

which borders HCMC to the south: Nhut Chanh Industrial Park will have a total area of 106 hectares, and priority will be given to non-polluting agricultural and seafood processing companies. The 100-hectare Thai Hoa Industrial Park, with a total development capital of US\$47 million, will provide logistics and distribution facilities, including a customs office, and amenities such as a post office and bank. Thai Hoa is being developed by VietSon through a JV with Thailand's Siam Industrial; Nhut Chanh Industrial Park is being developed by local firm Thanh Yen Joint Stock Co.

According to the HCMC Export Processing Zones and Industrial Parks Authority, HCMC's three export processing zones and 12 industrial parks have attracted 1,062 projects and total investment capital of US\$3.53 billion since the first park - Tan Thuan - was established in 1991. The average occupancy rate of these industrial parks was 92% in the first half of 2007.

## VIETNAM

Due to limited new supply there has been a significant increase in the average rent in Hanoi industrial parks in 2007. The average rent in industrial parks is now approximately US\$0.18-\$0.19 psf per year, compared with US\$0.11-\$0.12 psf per year in the first quarter of 2007. The supply situation will be somewhat eased by the opening of the Soc Son and Dong Anh industrial parks in the second half of 2007.

The total revenue of FDI enterprises in Hanoi's five industrial parks reached US\$973.94 million in the first half of 2007, an increase of 44% y-o-y, as a result of stable exports and high productivity, especially among enterprises eligible to enjoy new preferential tariffs and trading rules resulting from Vietnam's WTO commitments, which took effect in January 2007.

On the back of this increased productivity, the value of exports by industrial

## HANOI

park enterprises increased 48% y-o-y in the first half of 2007 and accounted for 34.9% of Hanoi's exports. The total value of imports by these enterprises increased 23% against the same period last year and comprised 24.1% of the city's imports.

According to the Hanoi Authority of Industrial Parks and Export Processing Zones, twelve projects were granted investment licenses during the first six months of 2007. All of the projects involved Japanese enterprises, with most engaged in manufacturing and assembling auto parts or construction machinery and equipment. The largest of the projects was Niho Denko's glue and sticker production facility in Thang Long Industrial Park, with a total registered investment capital of US\$80 million. Breaking the investments down by the industrial parks where they will be located, seven projects invested in the Thang Long Industrial Park, four in Noi Bai Industrial Park and one in Hanoi - Dai Tu Industrial Park.

## SELECTED LEASING TRANSACTIONS IN Q2 2007

District	Property	Type	Size (sf)	Tenant
Dong Anh	Thang Long Industrial Park	factory	3-5 ha	Niho Denko Co Ltd
Dong Anh	Thang Long Industrial Park	factory	3-5 ha	Nagatsu Industries Co Ltd
Dong Anh	Thang Long Industrial Park	factory	3-5 ha	Yamaha Motor Co Ltd
Soc Son	Noi Bai Industrial Park	factory	3-5 ha	Yamaha Motor Co., Ltd

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

## FOR ADDITIONAL INFORMATION, PLEASE FEEL FREE TO CONTACT:

## GREATER CHINA

Beijing	Fabian Poh	(86) 10 5820 9288	fabian.poh@cbre.com.cn
Shanghai	Andrew Hatherley	(86) 21 2401 1200	andrew.hatherley@cbre.com.cn
Guangzhou	Simon Hung	(86) 20 2883 9200	simon.hung@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 1188	ben.duncan@cbre.co.jp
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## SOUTH &amp; 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

**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 High-Tech Park (Pudong New District), Caohejing High-Tech Park and Zizhu High-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 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 Estates

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 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 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).

## 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.

# ASIAN INDUSTRIAL PROPERTY MARKET FLASH

Q2 2007



## Hong Kong

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

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

## Beijing

Unit 1203-1205, 12/F, Tower A  
Beijing Fortune Plaza  
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

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

Unit 1004, 10/F, Azia Center  
1233 Lujiazui Ring Road  
Shanghai 200031  
People's Republic of China  
Telephone: (86) 21 2401 1200  
Facsimile: (86) 21 5047 1171

## Guangzhou

Suite 1401-1402,  
Guangzhou International Electronics Tower  
403 Huanshi Road East  
Guangzhou 510095  
People's Republic of China  
Telephone: (86) 20 2883 9200  
Facsimile: (86) 20 2883 9248

## Shenzhen

Suite 2404-05  
Excellence Times Square Building  
4068 Yitian Road, Futian District  
Shenzhen 518048  
People's Republic of China  
Telephone: (86) 755 3395 3700  
Facsimile: (86) 755 2399 5370

## Hangzhou

Suite 1201, 12/F, Anno Domini Plaza  
North Tower, 8 Qiu Shi Road  
Hangzhou 310013  
People's Republic of China  
Telephone: (86) 571 2880 6818  
Facsimile: (86) 571 2880 8018

## Chengdu

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

## Tianjin

Room 903, Tower A, The Exchange  
No.189 Nanjing Road, Heping District  
Tianjin 300051  
People's Republic of China  
Telephone: (86) 22 8319 2178  
Facsimile: (86) 22 8319 2180

## Dalian

Room 2104, 21/F  
Tian An International Tower  
No.88 Zhongshan Road  
Zhongshan District, Dalian 116001  
People's Republic of China  
Telephone: (86) 441 3980 5855  
Facsimile: (86) 441 3980 5866

## Taipei

13F/A, Hung Tai Center  
170 Tun Hua North Road  
Taipei 105, Taiwan, R.O.C.  
Telephone: (886) 2 2713 2266  
Facsimile: (886) 2 2712 3065

## Singapore

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

## Tokyo, Japan

5/F, Shuwa Daiichi Hamamatsucho Building  
2-2-12 Hamamatsucho, Minato-ku  
Tokyo 105-0013, Japan  
Telephone: (81) 3 5470 8711  
Facsimile: (81) 3 5470 8715  
  
1/F, Shuwa Daiichi Hamamatsucho Building  
2-2-12 Hamamatsucho, Minato-ku  
Tokyo 105-0013, Japan  
Telephone: (81) 3 5470 8800  
Facsimile: (81) 3 5470 8801

\*20 offices throughout Japan

## Seoul, Korea

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

## New Delhi, India

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

## Mumbai, India

#5, 3/F Tower C, Laxmi Towers  
G-block, Bandra Kurla Complex  
Bandra (E), Mumbai 400 051, India  
Telephone: (91) 22 2652 7628/7665  
Facsimile: (91) 22 2652 7655

## Bangalore, India

3/F The Hulkul  
81/37 Lavelle Road  
Bangalore 560 001, India  
Telephone: (91) 80 4112 1240-49  
Facsimile: (91) 80 4112 1239

## Chennai (Madras), India

2H, 2/F Gee Gee Emerald 2C & 2D  
151 Village Road, Nungambakkam  
Chennai 600 034, India  
Telephone: (91) 44 2821 4599/4571  
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 8887/6683 4446  
Facsimile: (91) 40 2335 8886

## Pune, India

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

## 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

## Manila, Philippines

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

## Bangkok, Thailand

46/F, 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

## Hanoi, Vietnam

Floor 12A, Vincom City Tower B  
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

**CBRE**  
CB RICHARD ELLIS