



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

TABLE OF CONTENTS

MARKET OVERVIEW	P.2-3			
MARKET FLASH	P.4-8	JAPAN, SINGAPORE	P.4	PHILIPPINES, THAILAND P.7
ASIA MAP	P.9	PRC - Beijing, Shanghai	P.5	TAIWAN, VIETNAM P.8
TERMINOLOGY	P.10-11	PRC - Hong Kong, Guangzhou	P.6	

NORTH ASIA

Japan - The third quarter of 2005 saw the completion of a number of large-scale leasing transactions including that of approximately 633,000 sf at ProLogis Parc Sugito to Senko, a third-party logistics (3PL) service provider. This transaction was representative of market activity during the quarter with 3PL operators being a significant driver of demand on the back of plans by a growing number of Japanese businesses to outsource distribution functions. With cost conscious 3PL operators especially sensitive to rental levels, occupier demand has focused less on prime central Tokyo locations and more on the suburban fringes in places such as Saitama and Kanagawa which offer a better combination of modern facilities, transportation connections and competitive pricing.

GREATER CHINA

PRC-Beijing - Land supply in industrial parks remained tight as no new land was released onto the market in the third quarter. The prevailing constraint on supply is not expected to be eased until the middle of 2006, when a number of sizeable parcels of new land will be released. The supply will be mainly concentrated in the Beijing Economic and Technological Development Area (BDA) in Daxing and the Beijing Tianzhu Airport Industrial Zone in Shunyi. However, investment and promotional activities in industrial parks continued, as industrial park owners remained active in negotiating with investors.

PRC-Shanghai - In the third quarter, market performance varied considerably across different industrial zones in Shanghai. On one hand, as tight supply of both land and standard industrial facilities still prevailed in Caohejing Hi-Tech Park, Jinqiao Export Processing Zone and Waigaoqiao Free Trade Zone, industrial property prices and rents remained high. On the other hand, in certain other industrial areas such as Jiading, Qingpu and Songjiang, owing to relatively high vacancy levels and decreasing investment activity, both land prices and facility rentals observed a clear declining trend, a phenomenon that has not been witnessed for many months in Shanghai's industrial property sector. This consolidation can be attributed to the rising level of competition from many of Shanghai's neighbouring cities, as well as an increasing number of privately-owned industrial facilities recently completed, which typically command lower rents. In general, however, the industrial market retained its buoyancy and overall vacancy was brought down by smooth take-up, a trend that we foresee continuing well into 2006.

PRC-Hong Kong - The continuing robust performance in the SAR's external trade sustained exceptionally high occupancy levels in the warehouse sector, particularly in Kwai Chung and Tsuen Wan, which are situated in close proximity to the container terminals. With similar facilities in this area close to saturation, demand for storage facilities was witnessed overflowing to secondary locations in northwest New Territories, such as Tuen Mun and Yuen Long, where there is good transportation linkage to port facilities. Meanwhile, the future Hong Kong-Shenzhen Western Corridor, the fourth vehicular boundary crossing spanning Deep Bay, is anticipated for completion in 2006. This transport artery will enhance trade between Hong Kong and southern Mainland China and strengthen the SAR's position as the Pearl River Delta's main logistics hub.

PRC-Guangzhou - Carrying forward the positive momentum from the previous quarter, the Guangzhou industrial sector continued to maintain rapid growth in the third quarter of 2005. Companies engaged in network gaming and animation were amongst the most active new occupiers who moved into Tianhe District's Software Park within the quarter. From January to August 2005, Guangzhou Development Zone witnessed a y-o-y rise of 20.5% in industrial production value to RMB 100 billion. Meanwhile, Nansha Development Zone registered a y-o-y increase of 35%, with production value amounting to RMB 14.55 billion in the first eight months of 2005. The automotive sector in Guangzhou performed robustly within the same time frame, with the city recording a production of 250,000 vehicles, an increase of 50.4% y-o-y. Car manufacturing is Guangzhou's fastest growing industry and the city boasts the second largest automobile production volume in China.

Taiwan - Under the continued relaxation of regulations combined with the incentive programme offered at Neihu Technology Park, it is expected that more tenants will gravitate towards this area, opting for its quality office space and lower rents. The new Financial Accounting Standard No.35 clarifies the valuation method for fixed assets in a more transparent and comprehensive manner. This adoption of stricter accounting rules is forcing companies to disclose the fair value for their fixed assets and is certainly having a positive impact on the industrial market in terms of encouraging manufacturers to liquidate idle properties in line with market prices.

SOUTH & SOUTHEAST ASIA

Singapore - In the third quarter of 2005, market sentiment was more positive, indicated by more leasing enquiries for industrial space. Macroeconomic indicators such as non-oil domestic exports and manufacturing output also continued to show expansion. The hi-tech segment remained the main focus of demand due to the government's plans to attract technology-based industries to Singapore. However, landlords in general remained cautious about raising rentals. In the investment sales market, the sales momentum was largely driven by A-REIT purchases. The outlook for the rest of the year is likely to remain cautiously optimistic. With the expected moderation of growth in the manufacturing sector, both rents and capital values are expected to stay flat. Meanwhile, REIT-driven acquisitions will continue to dominate the investment sales market.

Philippines - Activity in the country's major industrial parks remained subdued during the third quarter, with transactions generally limited to existing locators who require relatively small space (under 22,000 sf) for expansion purposes or to locators in non-PEZA (Philippine Economic Zone Authority) accredited areas moving into PEZA accredited areas. Meanwhile, the logistics sector remains a bright spot in the industrial property market as the country's geographic location and large consumer market will ensure the continued need for investment. Other sources of demand stems from call centres or business process outsourcing centres (BPOs), which are being forced to become more creative due to increasingly limited amount of suitable office space for small- or medium-sized IT/electronics companies engaged in higher value-added electronics assembly or IT-related manufacturing work.

Thailand - The industrial market place in Thailand has continued to grow, despite the recent slowing of economic growth. Manufacturing production increased by 6% y-o-y, while a 1.4% increase y-o-y in the number of approvals by the Board of Investment (BOI) was noted. The majority of foreign investment comes from Japanese companies, which collectively account for 31% of the total number of approvals. Various industrial sectors are expected to expand over the next few years. A number of international companies which are currently consolidating their operations are expected to make Thailand their regional manufacturing centre or headquarters for selected products or business lines.

Vietnam-Ho Chi Minh City - The third quarter witnessed an accelerated pace of influx of investment projects into Ho Chi Minh City's Exporting Processing Zones (EPZs) and Industrial Parks (IPs). The average industrial land rental rate has increased by 47% y-o-y. All EPZs and IPs in inner Ho Chi Minh City are 100% filled. Parks such as Tan Binh Industrial Park, Le Minh Xuan Industrial Park, Vinh Loc Industrial Park, Tan Thuan I & II Export Processing Zones and the Tay Bac Cu Chi Industrial Park are almost all in the process of making headway with landowners and clearing the way for expansion or else are submitting expansion plans to the government.

Vietnam-Hanoi - During the third quarter of 2005, there were remarkable movements in the industrial market in Hanoi. Rising investment flow and expanding local business operations have prompted a number of foreign-invested industrial parks to expand their zoning. In July alone, total turnover from all Hanoi industrial parks reached US\$111 million, which represents a y-o-y increase of 90%. In early September, the Ministry of Planning and Investment proposed to withdraw the license of the Sai Dong A Industrial Park project and turn it into a residential development.

ECONOMIC INDICATORS

	Real GDP Growth (%) (Q2 05)	Total Exports (US\$ billion)	Total Imports (US\$ billion)	Container Throughput ('000 TEUs*)	Air Cargo Throughput ('000 Tonnes)	Exchange Rate to US\$ (28-Sep-05)
NORTH ASIA						
Japan	2.10%	140.32 (Q2 05)	121.46 (Q2 05)	3,977.71 (Q3 05)	518.50 (Q3 05)	113.37
GREATER CHINA						
Beijing	10.20%	8.26 (Q3 05)	24.76 (Q3 05)	n.a.	n.a.	8.09
Shanghai	10.30%	82.01 (Q3 05)	61.43 (Q3 05)	4,774.00 (Q3 05)	340.00 (Q3 05)	8.09
Hong Kong	6.80%	79.13 (Q3 05)	80.52 (Q3 05)	6,017.00 (Q3 05)	874.00 (Q3 05)	7.76
Guangzhou	11.10%	6.45 (Q2 05)	7.05 (Q2 05)	1,156.80 (Q3 05)	n.a.	8.09
Taiwan	3.03% (Provisional)	47.50 (Q3 05)	46.00 (Q3 05)	2,130.92 (Jul-Aug 05)	101.00 (Aug 05)	33.28
SOUTH & SOUTHEAST ASIA						
Singapore	5.20%	52.91 (Q2 05)	44.25 (Q2 05)	5,854.00 (Q2 05)	446.40 (Q2 05)	1.69
Philippines	4.80%	9.66 (Q2 05)	11.84 (Q2 05)	n.a.	n.a.	56.05
Thailand	4.40%	30.19 (Q3 05)	29.45 (Q3 05)	665.65 (Q3 05)	174.55 (Q3 05)	41.17
Vietnam	7.63%	23.50 (Jan-Sep 05)	27.40 (Jan-Sep 05)	n.a.	n.a.	15,890.00

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

JAPAN

The trend for Japanese companies to outsource logistics operations accelerated through the third quarter. Clairon Co was one company to adopt such strategy, revealing an agreement to sell its distribution division to Hitachi Transport System (HTS). Under the terms of the deal, HTS acquired 11 distribution properties and staff and the contract to manage the domestic distribution of Clairon products. HTS announced plans to introduce new systems and improve existing practices with the aim of reducing operating costs by 10% or more.

Similarly, Canon Sales Co made public plans to streamline its distribution network through consolidating its warehouse and supply centres and focusing upon operations in the major cities of Tokyo, Osaka, Nagoya, Sapporo, Fukuoka and Sendai. Canon also revealed that management of the facilities would be outsourced to Nippon

Express Co with the combined moves expected to realise cost savings estimated at JPY 1 billion (US\$8.8 million) per year.

Investors continued to target the logistics sector with ProLogis and GIC committing US\$750 million of equity to a second fund investing in high quality distribution properties. With debt the fund is expected to total US\$3 billion and is understood to be planning the acquisition of up to 50 properties over the next three years. With growing occupier demand in the regional cities, the fund is reported to be seeking out assets in Sapporo, Sendai, Hiroshima and Fukuoka.

Rental levels for modern, high quality facilities remained in the range of JPY 1,900 to JPY 2,760 psf per annum.

SELECTED LEASING TRANSACTIONS IN Q3 2005

District	Property	Type	Size (sf)	Tenant
Sugito City, Saitama	ProLogis Parc Sugito	Logistics	633,000	Senko
Tokorozawa City, Saitama	AMB Tokorozawa	Logistics	213,000	n.a.
Kawasaki City, Kanagawa	Takaragumi C	Logistics	196,000	n.a.

SINGAPORE

In the third quarter, market sentiment was more positive, as indicated by a rise in leasing enquiries for industrial space. Macroeconomic indicators such as non-oil domestic exports and manufacturing output also continued to show expansion.

Leasing remained active in the quarter as more enquiries were noted for hi-tech space in response to the government's plans to attract more technology-based industries to Singapore. However, landlords remained cautious about raising rentals in a bid to remain competitive. As a result, rents for hi-tech space stayed unchanged at S\$1.75 psf per month. For prime conventional flatted factory space, average monthly rent stayed at S\$1.20 psf for ground floor and S\$0.95 psf for upper floors. Similarly, prime capital value for freehold flatted factory averaged at S\$325 psf (ground floor) and S\$265 psf (upper floors).

The capital value for prime 60-year leasehold space also remained flat at S\$220 psf for ground floor and S\$160 psf for upper floors.

In the investment sales market, A-REIT was the biggest buyer. Altogether it acquired 12 properties for a total of S\$342 million. Other major transactions included 21 Tuas Avenue 13, which was sold for S\$6.2 million in August. Cambridge Real Estate Investment Management (CREIM) also bought six properties for its yet-to-be listed REIT for a total of S\$72.4 million.

The outlook for the rest of the year is likely to remain cautiously optimistic. With the expected moderation of growth in the manufacturing sector, both rents and capital values are expected to hover at current levels. Meanwhile, REIT-driven acquisitions will continue to dominate the investment sales market.

SELECTED LEASING TRANSACTIONS IN Q3 2005

District	Property	Type	Size (sf)	Tenant
5	GMTI Building	Light Industrial	10,150	Sanyo Air-Conditioners Manufacturing Pte Ltd
5	The Curie	Science Park	21,000	AT&T Singapore Pte Ltd
5	The Curie	Science Park	1,900	AT&T Singapore Pte Ltd

PRC-BEIJING

Capital values for industrial land and rents for warehouse premises remained stable in Beijing within the third quarter. Average rent for warehouse properties was recorded at RMB 3.37 psf per month, a slight rise of 0.3% q-o-q. A number of companies are currently negotiating major leasing contracts with landlords in industrial parks even though no major leasing transactions were recorded within the review period, except for Perlos leasing 23,200 sf of factory space in the Beijing Economic and Technological Development Zone in Daxing.

China Southern Airlines Company Limited signed an entry agreement with the Beijing Tianzhu Airport Industrial Zone for the establishment of a Beijing branch in Area B of the industrial zone. The project, which represents a total investment of RMB 1.1 billion, will be involved in passenger and cargo business. Following Air China Cargo, China Aviation Supplies and Air China, China Southern Airlines Company

Limited has become the fourth air service company to settle in the Tianzhu Airport Industrial Zone, such that the park is now largely dominated by airline industry occupiers.

TNT's first logistics centre in Beijing will commence operation before year-end. The centre, located in Beijing Airport Logistics Base, covers an area of 129,000 sf, making it one of the largest integrated express and logistics centres in China. With TNT injecting a capital outlay of RMB 120 million into the new logistics facility, it is estimated that the centre will handle 130,000 parcels per year and generate an annual revenue of RMB 230 million. TNT has further plans to expand its market share in express delivery services in China as the company intends to lease two B747-400ERF freighters to start up a new direct service between Europe and China in 2006. In the future, the company intends to set up similar logistics facilities in Shanghai and Guangzhou.

SELECTED LEASING TRANSACTIONS IN Q3 2005

District	Property	Type	Size (sf)	Tenant
Daxing	Beijing Economic and Technological Development Zone (Yizhuang)	Factory	23,200	Perlos

PRC-SHANGHAI

During the third quarter of 2005, several important milestones were achieved within the Shanghai market for logistics facilities. Firstly was the completion of one of Shanghai's largest warehouse lease acquisitions to date this year. CB Richard Ellis was able to successfully broker a three-way lease agreement that will see Exel Logistics, the world's largest logistics provider, commit to lease a custom-built 558,200-sf warehouse in the Kangqiao Industrial Park in Pudong. Under the agreement, Macquarie Goodman Asia acquired the land on behalf of Exel and will develop the design-built warehouse, then lease it back to Exel over a long-term period. This design-build solution also marks the first major transaction for a specialised industrial property investment trust fund within the Shanghai market since Hong Kong passed legislation earlier in the year allowing a listed REIT to hold offshore properties, including those on the Mainland. This case is a major success in a market where land is typically very hard to come by

for such large-scale logistics projects, and where investment grade property is now becoming more and more sought after. Also relating to the logistics market, the Pudong New District recently issued a new policy that will see newly established logistics operations offered a refund of up to 50% of total income tax payments for a period of three years after the establishment of a new enterprise within their district. Such a policy is aimed at providing some form of relief and also encouragement to a sector of the market which often faces many regulatory restrictions when setting up new entities throughout the city.

Movement was also seen in average rental rates across the city in standard manufacturing facilities. For the first time in several quarters, the overall Shanghai leasing market witnessed a q-o-q slide of 2.4%, largely due to increased competition from industrial parks in southern Jiangsu Province. At the same time, the market saw a minor decrease in price levels.

SELECTED LEASING TRANSACTIONS IN Q3 2005

District	Property	Type	Size (sf)	Tenant
Pudong	Kangqiao Industrial Park	Warehouse	558,200	Exel Logistics
Qingpu	Qingpu Industrial Zone	Manufacturing	107,640	Briggs & Stratton
Minhang	Caohejing Hi-Tech Park	R&D office	43,060-64,580	Cisco
Minhang	Caohejing Hi-Tech Park	R&D office	43,060	GE

PRC-HONG KONG

Buoyant demand from logistics players on the back of the sustained growth of merchandise exports, supported by the resolution of the trade standoff between China and the EU over textile products, continued to exert downward pressure on vacancy level of warehouse premises, as both average rents and prices for warehouse properties continued to rise in the third quarter, registering q-o-q hikes of 4.6% and 6.1%, respectively.

As factory properties remain capable of generating the highest yield of any property sector in Hong Kong, benefiting from the overspill of warehouse demand, they continued to appeal to yield-driven investors as well as end-users. This strength of demand fostered respective rental and capital value growth of 5.2% and 9% in the third quarter.

Buoyancy in industrial en bloc sales continued throughout the third quarter, on the back of the redevelopment potential of industrial sites. The success of APM in Kwun Tong is leading the repositioning of this industrial district. Furthermore, the government's far reaching intention of redeveloping Kowloon East, coupled with the massive development potential now released as a result of the lifting of restrictions associated with the former Kai Tak Airport, are acting to boost developers' interest in acquiring properties in this area. Over half of the en bloc transactions recorded in the third quarter were made in the Kowloon East area. The most notable transaction saw the sale of the 277,720-sf Sing Tao Building, in Kowloon Bay, to Billion Enterprises for HK\$370 million.

SELECTED LEASING TRANSACTIONS IN Q3 2005

District	Property	Type	Size (sf)	Tenant
Tai Po	Unit B, 6/F, Tai Ping Industrial Centre Block 1	Industrial	10,790	Health Food & Beverage Group Ltd
Kwai Chung	Units E-H, 8/F, City Industrial Complex	Industrial	27,500	Clotex Labels Co Ltd
Kwai Chung	Units A-B, 11/F, Edwick Industrial Centre	Industrial	27,940	Kenstar Technology Ltd
Kwai Chung	6/F, Wyler Centre 2	Warehouse	25,620	NNR Global Logistics (HK) Ltd
Kwai Chung	Units 3-4, 9/F, Riley House	Industrial	12,330	Consumer Testing Laboratories (Far East) Ltd

PRC-GUANGZHOU

Covering an area of 215,280 sf, the Tianhe Software Park in Guangzhou was opened in the third quarter, comprising the second manufacturing base that has been expressly developed by the Central Government for the purpose of supporting network gaming and animation service providers and related incubator companies in China. The park is the second of the four bases planned for development by the state, with the third and fourth base to be built in Beijing and Shanghai, respectively, in the future.

The well-known Chinese online search engine company, baidu.com, established their office in Guangzhou in September 2005. Within the same period, China Zhonghai Investment (Group) Co Ltd also signed an agreement with Guangzhou Nansha Development Zone to invest

US\$49.95 million to manufacture 150,000 containers per year. With operation expected to commence in the first half of 2006, the factory will generate an annual production value of around RMB 2.5 billion.

The month of September also witnessed the commencement of construction of the China Air Express logistics centre near New Baiyun International Airport. With total investment amounting to RMB 99.8 million, the centre will provide a total GFA of 248,000 sf. The first phase, involving an investment of RMB 30 million and comprising a GFA of 165,970 sf, will be completed in August 2006. Guangzhou New Baiyun International Airport's air cargo terminal is the largest in Mainland China, the second largest in Asia, after Hong Kong, and the third largest in the world.

SELECTED LEASING TRANSACTIONS IN Q3 2005

District	Property	Type	Size (sf)	Tenant
Luogang	GETDD	Industrial Lot	388,140	Namchow Axunge
Luogang	GETDD	Industrial Lot	387,000	Sanye Machinery
Luogang	Yonghe ETDZ	Industrial Lot	702,300	Kuntai Industry
Luogang	Yonghe ETDZ	Industrial Lot	349,300	Tanke Motorcycle
Luogang	Yonghe ETDZ	Industrial Lot	220,630	Yude Machinery
Luogang	Yonghe ETDZ	Industrial Lot	75,860	Jingjin Machinery

PHILIPPINES

Activity in the country's major industrial parks continued to be subdued during the third quarter of 2005, with few major transactions being reported. One transaction worth noting was the take-up of additional space in Carmelray Industrial Park II by AMI Semiconductor Inc (an Idaho-based chipmaker for the automotive, medical and industrial device industries) for a 43,060-sf planned expansion in addition to its new US\$30 million 129,200-sf plant. AMI plans to consolidate 85% of its global test assembly and manufacturing operations to its Carmelray II location.

The most significant market event to occur during the quarter was the announcement by FedEx to transfer its intra-Asian hub from the Subic Bay Freeport to Guangzhou China in December 2008. The decision to move was made after space at Subic Bay International Airport was

deemed too limited. Nevertheless, FedEx will continue to expand its significant airport and back office presence in Manila and in Cebu City. Any blow to the Subic Bay economy in 2008 caused by its departure will be softened by the 2007 completion of the US\$376.7 million Subic-Clark-Tarlac expressway and the US\$215 million Subic Bay Port Development Project.

Meanwhile, UPS has also signed an agreement with the Chinese government for the establishment of an international air hub at Shanghai's Pudong International Airport in 2007. However, their intra-Asia hub within the Clark Special Economic Zone (which can be expanded three to four times its current size) is being positioned to complement this plan and UPS has no plans to leave the Philippines. In light of the above circumstances, our short-term outlook for the industrial property sector remains neutral.

SELECTED LEASING TRANSACTIONS IN Q3 2005

District	Property	Type	Size (sf)	Tenant
Laguna Province	Carmelray Industrial Park II	Factory	43,060	AMI Semiconductor Inc
Laguna Province	Carmelray Industrial Park II	Factory	67,870	Ionics
Laguna Province	Laguna Technopark	Logistics	43,060	NEC Logistics
Batangas Province	First Philippine Industrial Park	Factory	32,290	Sumitrans

THAILAND

Industrial land sales continued to increase particularly in the eastern and northern parts of Bangkok. Major players are making land acquisitions to maintain an inventory of land for the launching of new industrial estates and expansion of existing ones. The market for ready-built factories (RBFs) for rent is also expected to grow particularly in Ayudhaya and in the eastern part of Bangkok. Demand for RBFs is growing as foreign companies seek to relocate or set up new production facilities in Thailand. Increased supply is anticipated from the largest developers like TICON, Thai Factory Development (TFD) and Hemaraj. Major industrial developers are expected to diversify their property portfolio to include the development of distribution centres and factories for rent.

Prices at most industrial estates remained stable. However, some developers are offering discounts. The average warehouse and factory rentals also remained stable ranging from THB 9-14 psf (THB 100-150 psm) per month and THB 16-17 psf (THB 180-190 psm) per month, respectively.

Ticon Industrial Connection Plc, one of Thailand's largest RBF developers, established a subsidiary company named TICON Logistics Park Company Limited in August 2005 to develop a complex comprising a logistics centre, factories and industrial-related facilities. This company won a tender to purchase approximately 162 acres of land with a total price of THB 999 million. It is located on Bangna-Trad Road near Suvarnabhumi Airport.

SELECTED LEASING TRANSACTIONS IN Q3 2005

District	Property	Type	Size (sf)	Tenant
Bangplee	Oriental Siam	Warehouse	67,540	Reno
Chonburi	Ticon	Factory	47,370	Furukawa
Wangnoi	Welcom	Warehouse	31,220	Loscam
Chonburi	Siam Precision	Warehouse	18,085	Monde Nissin
Chonburi	TFD	Factory	13,560	Anest Iwata

TAIWAN

In the third quarter of 2005, the Neihu Technology Park has seen a new supply of approximately 355,800 sf which mainly resulted from the completion of the Yale Technology Centre developed by Metropolitan Construction. It has monthly rentals of approximately NT\$39.35 psf (NT\$1,400 per ping) excluding VAT. However, within the quarter, Neihu rentals generally remained stable at around NT\$29.80 psf (NT\$1,060 per ping) per month while vacancy rates rose from 7.2% to 7.7% on a quarterly basis. Taipei Neihu Technology Park is a technology hub that attracts plenty of financial resources, innovative technologies and well-qualified talent from all over the world as well as both end-users and investors. In this quarter, Twin Head HQ building was sold to Taiwan Life through a sale-and-lease-back arrangement. Taiwanese real estate

investors have been recently witnessed to shift their focus from forgoing capital gain to acquire long-term income-generating properties. It is expected that the sale-and-lease-back arrangement will emerge as a strong new trend in the real estate market. The deal will present a 6.5% gross yield to the investors, thereby outperforming the average returns on office investment in the CBD area. Recently, demand for large floor space in the Neihu Technology Park has not been as strong as expected, TYCO Healthcare leased 10,670 sf of industrial office space in Metropolitan Eva while Power Integrations rented approximately 7,120 sf of industrial office space in the Wall Street Technology Building within the Neihu District during the third quarter. It is anticipated that rents will increase steadily if demand remains stable and new supply is limited.

SELECTED LEASING TRANSACTIONS IN Q3 2005

District	Property	Type	Size (sf)	Tenant
Neihu	Metropolitan Eva	I/O	10,670	TYCO Healthcare
Neihu	Wall Street Technology Building	I/O	7,120	Power Integrations

VIETNAM

Ho Chi Minh City

At the end of the third quarter of 2005, Ho Chi Minh City (HCMC) had 11 Industrial Parks (IPs), three Export Processing Zones (EPZs) and one Hi-Tech Park in operation. The HCMC EPZs and IPs Administration Authority (HEPZA) is the authorised body in charge of activities of all the EPZs and IPs and is entrusted by the Ministry of Planning and Investment to grant licenses for projects that are going to be implemented in the EPZs and IPs. At the end of the quarter there were 1,016 investment projects, with an aggregate registered capital of over US\$2 billion, licensed to operate in HCMC's EPZs and IPs.

Since 2003, the infrastructure and the land supply within HCMC's EPZs and IPs has been under strong demand pressure, with the same phenomenon witnessed in Tan Binh IP, Vinh Loc IP, Tan Thuan EPZ and Linh Trung EPZ. Almost all IPs and EPZs in HCMC have seen compression of available land supply since the end of 2002. In view of this, companies that are granted licenses to operate in the EPZs or IPs but fail to materialise their investment plans within a specified period of time are required to return their land-use rights to the HEPZA. This has been almost the sole source of new supply in the HCMC industrial market recently. Additionally some companies have been seen transferring land-use rights to a third party by selling their projects outright.

There are many EPZs and IPs which have and are enacting enlargement strategies. For example, Vinh Loc IP will start its 50-hectare expansion project, while Le Minh Xuan will expand to 275 hectares in 2006. Leasing demand for land in EPZs and IPs is expected to increase in the future as there is a continued influx of foreign funds to HCMC. Foreign investors may have to look for alternatives near HCMC as industrial land supply is limited. It is reported that Mapletree Investment plans to invest US\$100 million in developing a 56-hectare logistics park within Vietnam-Singapore Industrial Park II near the city.

Hanoi

Recently, Hanoi's industrial sector has been expanding at a stable yet high rate of 14% to 15% per year. Six industrial parks have greatly contributed to this growth. These six industrial parks comprise a total land area of 542 hectares and have successfully attracted 114 projects with total registered investment capital of approximately US\$1.2 billion. Four industrial parks, namely, Sai Dong B, Thang Long, Noi Bai and Hanoi-Dai Tu Industrial Park are bases to a number of well-known foreign manufacturers such as Canon, Sumitomo, Bakelite, Toto, Denso, Matsushita and Pentax.

On an individual basis, Thang Long Industrial Park has received 33 projects with total investment capital of US\$400 million. The US\$12 billion Hanoi-Dai Tu Industrial Park is fully occupied by investment projects although it has just been opened for five months. After a lengthy delay, Sai Dong A was forced to face a change after its US\$152 million investment license was revoked. The Ministry of Planning and Investment proposed to turn the 32.3 million-sf site into one of the largest residential developments in Hanoi. Nevertheless, the key venture partner, Daewoo Engineering & Construction Co Ltd, who replaced the previous venture partner Daewoo Corporation, asked the Ministry of Planning and Investment to grant them a permit to undertake a development combining residential use with a small-scale industrial park due to the fact that the venture's foreign partners had so far only contributed US\$5.8 million, a fraction of US\$27.5 million of the industrial park.

The average rental rate of industrial parks in Hanoi remained stable within the third quarter, at US\$0.14 psf (US\$1.5 psm) per year. Generally, enquiries for space in industrial parks have been running high in the past few years and the bulk of development interest derives from electronic industries, garment manufacturing, telecommunications, machinery production, light industry as well as the IT sector.



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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.

TAIWAN**Warehouse/Factory**

This category comprises major traditional industrial use premises. Because of the industrial transition towards increasingly hi-tech production, the quality of W/F has been improved and upgraded. About 90% of the stock is located in traditional industrial parks, such as Zhong-Li Industrial Park, Gui-shan Industrial Park and Xin-Zhu Science-Base Park in the northern Taiwan.

Industrial/Office (I/O)

The strong demand for R & D has prompted enterprises to lease industrial/office space for that purpose. Developers are becoming keen to develop large-scale industrial/office buildings, both for sale and lease, in order to meet this increasing demand. At present, industrial/office facilities are primarily located in new industrial parks such as Neihu Technology Park.

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

Q3 2005



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