



## ASIAN INDUSTRIAL PROPERTY MARKET FLASH

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EXECUTIVE SUMMARY

Most of Asia's industrial property markets were active in the third quarter of 2007. Demand for logistics facilities was the focus across the region.

A number of modern, large-scale logistics developments were announced during the third quarter in **Japan**. J-REP (a Japanese logistics leasing and asset management firm majority owned by Goodman International) was among those announcing new schemes, revealing plans to expand its development pipeline with the construction of an additional three distribution centres over the next two years. The growing acceptance by investors of Japanese distribution and industrial properties as investment grade assets was further underscored by the launch of a new J-REIT, the Industrial and Infrastructure Fund Investment (IIF). Sponsored by Mitsubishi Corporation and UBS, IIF will be the second J-REIT to focus on the sector.

In **Singapore**, the third quarter saw the continued increase of industrial rents in all sectors except warehouses, for which rents were stable. The award of one industrial site, the launch of another three sites and two new upcoming projects in the one-north development were noted. In the high-tech sector, demand from knowledge-based industries and the continued supply crunch for office space continued to drive rents upward.

In **Hong Kong**, industrial properties recorded the sharpest quarterly growth in rents and capital values in over a year on the back of the robust external trading environment and the persistently brisk investment market. The continued strong performance of external merchandise trade and cargo throughput, driven by the vibrant trade flows between China and other world markets, underpinned strong demand for warehouse properties. While local players remained active in making small-scale and user-driven industrial acquisitions, foreign institutional investors focused on strategically located industrial properties.

In **Beijing**, demand for industrial properties again increased. Average rents of industrial properties rose by 1.9% q-o-q to RMB 4.9 psf per month, while prices of industrial land increased by 1% q-o-q to RMB 112.7 psf. Strong demand and limited supply continued to drive the growth of industrial land prices.

Strong demand and government control of the industrial land supply saw both industrial land prices and facility rents rise significantly in the third quarter in **Shanghai**. In the third quarter, the average industrial land price rose by 15.6% q-o-q to RMB 96.54 psf, while the average facility rent

increased by 6.7% q-o-q to RMB 3.13 psf per month.

The **Guangzhou** industrial property market was stable in the third quarter, with R&D facility rents unchanged, while rents of manufacturing facilities and warehouses reported limited q-o-q growth of 0.5% and 0.2%, respectively.

**Chengdu's** industrial sector continued to develop rapidly in the third quarter. The accumulated added value of large-scale industrial enterprises in Chengdu reached RMB 60.24 billion in the first eight months of 2007, increasing 26.1% y-o-y. Chengdu's major industrial parks attracted additional tenants in the third quarter.

According to the **Ho Chi Minh City** Export Processing Industrial Zones Authority (HEPZA), HCMC industrial parks attracted 67 new projects with total investment capital of US\$306.35 million in the first nine months of 2007. Up to the end of September, the industrial parks had 1,167 effective projects including 484 foreign-invested projects.

The industrial property market in **Thailand** continued its uptrend in the third quarter. Demand for Serviced Industrial Land Plots (SILPs) and Ready-Built Factories (RBFs) was strong, reflected in the large increase in sales of both types of properties. Strong demand came from automobile and auto-part makers such as Honda and Toyota, which will invest in eco-car production in Thailand. The government's eco-car manufacturing incentive package, announced in June, is expected to contribute to Thailand's emergence as a regional auto-parts hub.

In the **Philippines**, both local and foreign investors have expressed the intention of establishing operations in different parts of the country. Despite the continuous appreciation of the Philippine Peso, the country remains an attractive option because of the well-educated English-speaking labour force, adequate facilities and its strategic location in the region.

**INDICATIVE LAND VALUES**

Country	City	Industrial Park	Indicative Land Values (psf)		Forex (30 Sep 07)	
			Local currency	US\$ equivalent		
<b><u>GREATER CHINA</u></b>						
<b>PRC</b>	Beijing	Zhongguancun Life Science Park	RMB	147.8	19.7	7.51
		BDA		51.1	6.8	
		Beijing Tianzhu Airport Industrial Zone		97.6	13.0	
	Shanghai	Waigaoqiao FTZ	RMB	325.2	43.3	
		Jinqiao Export Processing Zone (South)		139.4	18.6	
		Qingpu Industrial Zone		48.3	6.4	
	Guangzhou	Yonghe Economic Zone	RMB	55.7	7.4	
		Science City		55.7	7.4	
		Nansha Development Zone		31.2	4.2	
		Airport Economic Zone		26.8	3.6	
	Chengdu	Chengdu High-Tech Development Zone (South)	RMB	50.7	6.8	
		Chengdu Economic & Technological Dev. Zone		36.2	4.8	
<b><u>SOUTHEAST ASIA</u></b>						
<b>Singapore</b>		60-year leasehold land	S\$	46 -52 /plot ratio	31.1 - 35.1	1.48
<b>Thailand</b>	Bangkok	Amata Nakorn Industrial Estate, Chonburi	THB	255.5	7.5	34.26
		Eastern Seaboard Industrial Estate, Rayong		145.2	4.2	
		Wellgrow Industrial Estate, Chachoengsao		267.0	7.8	
		Rojana Industrial Park, Ayutthaya		174.2	5.1	
		Nava Nakorn Industrial Zone, Pathumthaini		290.0	8.5	

**INDICATIVE INDUSTRIAL RENTAL VALUES**

Country	City	Type of Space	Indicative Rental Values (psf)		Forex (30 Sep 07)	
			Local currency	US\$ equivalent		
<b><u>GREATER CHINA</u></b>						
<b>PRC</b>	Hong Kong	Factory	HK\$	7.3	0.94	7.77
		Warehouse		6.5	0.84	
<b><u>SOUTHEAST ASIA</u></b>						
<b>Singapore</b>	Singapore	Factory Space	S\$	1.15 - 1.40	0.78-0.95	1.48
		Warehouse		1.15 - 1.45	0.78-0.98	
<b>Thailand</b>	Bangkok	Factory Space	THB	16.7-18.6	0.49 - 0.54	34.26
<b>Philippines</b>	Manila	Greenfield Automotive Park*	PHP	7.11	0.16	44.85
		Lima Technology Center*		4.28	0.10	
<b>Vietnam</b>	HCMC	Tan Thuan EPZ*			0.025	
		Hiep Phuoc Industrial Zone*			0.015	
		Tan Tao Industrial Zone*			0.016-0.019	
	Hanoi	Hanoi-Dai Tu IP*			0.031	
		Sai Dong B IP*			0.018	
		North Thang Long IP*			0.016	
		Noi Bai IP*			0.009	

\* Land sites

JAPAN

TOKYO

Foreign funds were active during the third quarter. In July, AMB Property announced that its AMB Japan Fund I had acquired eight logistics facilities (total NLA 926,000 sf) in Chiba and other cities for approximately JPY 20 billion. AMB Funabashi 7, 8, and 9 in Funabashi, Chiba have a combined GFA of approximately 503,000 sf, and the acquisition brings AMB's presence in the Funabashi submarket to approximately 1.2 million sf GFA. AMB also acquired approximately 389,000 sf of land in Kawasaki for future development.

July also saw ProLogis open ProLogis Parc Tomisato, a 325,000 sf GFA build-to-suit facility for Nippon Express, in Tomisato, Chiba. In September, ProLogis acquired 17 large-scale distribution centres from Matsushita Electric Industrial Co for an estimated JPY 85 billion. These facilities are scattered around the Osaka and greater Tokyo regions, and have a combined GFA of over 4 million sf. Matsushita Logistics, Matsushita Electric's logistics subsidiary, will continue to occupy 15 of the facilities on a sale-and-leaseback arrangement. In August, J-REP announced plans to construct three distribution centres. To be completed in mid-2008, J-

REP Logi Station Higashi-Ougishima in Kawasaki City is the re-development of an existing warehouse into a high-specification distribution centre with 483,000 sf of GFA, over four storeys. J-REP Logi Station Ibaraki in Osaka is a build-to-suit facility for Bandai Logipal Express with 143,300-sf GFA and is scheduled to be completed in April 2008. The largest of the three is J-REP Logi Station Nishi-Yodogawa-ku, also in Osaka. The 710,000-sf GFA centre is scheduled to be completed in spring 2009 and is being constructed on land acquired from the Osaka City Land Development Corporation in 2006 for approximately JPY 6.2 billion.

LaSalle Investment Management (LIM) was also active, and in August it acquired land and logistics facilities in Saitama for approximately JPY 3.4 billion. LIM plans to redevelop existing facilities into a new distribution centre on approximately 242,700 sf of land. LIM also acquired approximately 376,700 sf of land in Hokkaido and has plans to develop a multi-tenant distribution centre, to be completed in autumn 2008.

SELECTED LEASING TRANSACTIONS IN Q3 2007

District	Property	Type	Size (sf)	Tenant
Nishi-Funabashi, Chiba	Nishi-Funabashi	Distribution Centre	142,000	Sagawa Global Logistics
Nishi-Funabashi, Chiba	Nishi-Funabashi	Distribution Centre	142,000	Mitsubishi Shoji Logistics
Kisaicho, Saitama	Saitama Kisai	Distribution Centre	142,000	Sankyu K.K.
Kisaicho, Saitama	Saitama Kisai	Distribution Centre	142,000	Trancom K.K.

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 rose 8.5% q-o-q during the third quarter to S\$2.55 psf per month and are projected to reach S\$2.75 psf per month by end-2007. Robust demand from high-tech companies and the increasing numbers of companies seeking alternatives to traditional office space drove rental increases for high-tech space.

Average monthly rents for factories increased by S\$0.05 psf q-o-q to S\$1.40 psf for ground floor units and S\$1.15 psf for upper floor units. Likewise, average capital values for freehold factories rose by about 8.0% q-o-q to S\$395 psf and S\$322 psf for ground floor units and upper floor units respectively. Average monthly rents for warehouses stayed firm at S\$1.45 psf for upper floor units and S\$1.15 psf for ground floor units. However, average capital values for freehold warehouses rose by about 5.0% q-o-q to S\$424 psf for ground floor units and S\$370 psf for upper floor units.

A 30-year leasehold site, located at Kaki Bukit Road 3, was awarded to Eastpoint Development Pte Ltd for S\$5.7 million (S\$72 psf/plot ratio). Tenders for four sites will close in the fourth quarter. The sites at Sin Ming

Lane and Jalan Tepong are from the confirmed list. The Pioneer Road/Tuas Avenue 11 site was launched after an unnamed party committed to bid at least S\$5.93 million (S\$18 psf/plot ratio) for it while the Commonwealth Drive/Lane site was launched after JTC, the statutory body charged with developing key industrial facilities, received a commitment to submit a bid of at least S\$19.8 million (S\$66 psf/plot ratio). In September, JTC also awarded the Civic, Cultural and Retail (CCRC) site in the one-north development to Rock Productions Pte Ltd for almost S\$189.0 million (S\$314 psf/plot ratio). A development comprising a 322,920-sf Civic and Cultural Zone and a 279,864-sf Retail and Entertainment Zone will be constructed on the 1.93-hectare site. The development will be completed in 2011.

MI-REIT bought two properties for S\$109.3 million. MapletreeLog purchased six Singapore properties worth S\$62.4 million and three overseas properties for S\$136.0 million. CIT made three local purchases worth S\$108.5 million.

SELECTED LEASING TRANSACTIONS IN Q3 2007

District	Property	Type	Size (sf)	Tenant
22	LabOne	Business park	5,600	IMS Health
22	LabOne	Business park	5,400	AMX

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## PEOPLE'S REPUBLIC OF CHINA

## BEIJING

The Science and Technology Park in the Zhongguancun region was active in the third quarter. On 5 July, Nestle, the world's largest food and beverage company, announced that it will establish its first overseas R & D centre in the Environmental Protection Park in Zhongguancun. The project involves the long-term lease of a standard factory covering 71,016 sf. The R & D centre, which involves an investment of RMB 10 million in phase one, will be in operation by the end of 2007.

In the past, third-party logistics (3PL) operators in Beijing were predominately Chinese. Large state-owned enterprises such as Sinotrans and P.G. Logistics Group were the market leaders. However at the end of 2005, China's logistics market was fully opened to foreign competition. This has led to an influx of multinational 3PL operators such as DHL, Nippon Express, UPS and Bax Global. These companies originally engaged in the express mail service (EMS) business and have entered the 3PL market to service worldwide customer networks. International third-party logistics companies are expected to grow rapidly in China and many are

making large investments in advance of next year's Beijing Olympic Games. Crown Worldwide Movers, for instance, is developing an integrated system of logistics facilities in Tongzhou Logistics & Industrial Park (construction area 247,572 sf) that will open in early 2008.

Large logistics investors such as ProLogis, have a fixed customer base and normally sign agreements of intent with customers before developing new logistics facilities. In Beijing, customers demanding logistics facilities fall mainly into two categories. First, large retailers such as Carrefour and Suning requiring large warehouses for a wide variety of goods. Demand for these facilities will increase in line with the development of retail trade in Beijing. The second major source of demand is multinational third-party logistics firms such as DHL and TNT.

## SELECTED LEASING TRANSACTIONS IN Q3 2007

District	Property	Type	Size (sf)	Tenant
Daxing	Guosheng Science Park	Factory	43,040	Lear Corporation
Daxing	Liando Industrial Park	Factory	21,520	Prostar International Electric
Daxing	Liando Industrial Park	Factory	20,444	PNC

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## PEOPLE'S REPUBLIC OF CHINA

## SHANGHAI

Ongoing central and local government control of the industrial land supply and the limited quota for new sites as year-end approaches led to a substantial rise in land prices in the third quarter of 2007. The average industrial land price grew by 15.6% q-o-q to RMB 96.54 psf, with the land price of some industrial zones such as Jinqiao (South), Lingang and Songjiang achieving q-o-q increases greater than 20%.

The limited land supply has led some companies to adopt a leasing strategy, further increasing demand for high-quality industrial properties. The launch of high-quality warehouses including Mapletree's project in Lingang and New City's project in Waigaoqiao aiming to accommodate the growing demand for international standard logistics properties also saw average warehouse rents rise significantly. Rapidly expanding demand for headquarters and R&D space continued to stimulate rental growth in Zhangjiang, Jinqiao and Caohejing. In the third quarter, the average factory rent increased by 3.3% q-o-q to RMB 2.50 psf per month, while

warehouses recorded rental growth of 9.2% q-o-q to RMB 2.35 psf per month and R&D facilities logged 8.8% q-o-q growth to RMB 6.23 psf per month. Buying ready-made properties in industrial parks is another option in this market. Sand Information Technology purchased Block 22 (116,250 sf) in Gem Park in Caohejing and China Nuclear Power Technology purchased, a 172,224-sf facility in Shanghai Business Park.

ProLogis further expanded its investment in Shanghai's logistics property market. In August, the US-based company announced that it will develop a distribution park near Hongqiao Airport, its sixth in Shanghai. Composed of five high-quality warehouses, the project has a planned GFA of about 1.938 million sf, with the first phase scheduled for completion in September 2008.

## SELECTED LEASING TRANSACTIONS IN Q3 2007

District	Property	Type	Size (sf)	Tenant
Baoshan	Baoshan Industrial Zone	Factory	193,752	Evergreen Co. Ltd
Pudong	Zhangjiang High-tech Park	Factory	95,800	Lear
Pudong	Jinqiao Export Processing Zone (North)	Factory	45,209	Sokkia

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## PEOPLE'S REPUBLIC OF CHINA

The buoyant export performance and limited supply of new logistics space in Hong Kong combined to keep warehouse rents and capital values firm in the third quarter, with average rents rising 3.5% and capital values 4.6%, q-o-q. However, the third quarter is generally not peak season for warehouse leasing activities as local logistics players are busy handling shipment orders prior to the holiday shopping season in overseas markets, and expansion plans are normally put on hold, resulting in a rise in the warehouse vacancy rate from 1.7% in the second quarter to 2.3% as at the end of September.

Average rents of factory premises registered q-o-q growth of 6.2% in the period while capital values appreciated 6.3% q-o-q, thanks to the active trading interest from local players, with the majority pursuing factory properties from 100,000 to 200,000 sf. Midas Plaza in San Po Kong (GFA approximately 230,000 sf) was the newest factory property launched for strata-title sale (units ranging from 1,300 to 11,000 sf gross), and it attracted strong interest from users and investors alike.

### SELECTED LEASING TRANSACTIONS IN Q3 2007

District	Property	Type	Size (sf)	Tenant
Tsuen Wan	Leader Industrial Centre Block 1	Industrial	7,961	Certicell (HK) Ltd
Tsuen Wan	QPL Industrial Building	Industrial	10,390	DM Logistics Ltd
Tsuen Wan	Tsuen Wan International Centre	Warehouse	29,392	Chargeurs Interlining (H.K.) Ltd
Yau Tong	Yau Tong Industrial City Block B	Industrial	10,060	Analogue Technical Agencies Ltd

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## HONG KONG

Strong demand for I/O properties in Kwun Tong persisted during the third quarter, as rising prices of new office developments nearby continued to boost the sector. Foreign institutional funds were keen to acquire I/O properties close to the container terminals in the Kwai Chung area. In July, Merrill Lynch acquired five floors of Mita Centre from Goodman, following Goodman's earlier sale of a portion of Ever Gain Plaza to another institution in June. Overall, capital values of I/O properties recorded a strong 6.3% q-o-q surge, while rents registered moderate quarterly growth of 2.1%.

Industrial properties continued to offer the highest yield to investors among all major property sectors in Hong Kong, appealing to both investors and users; this contributed to a massive 91.1% q-o-q surge in en bloc floor space transacted and a 74.2% q-o-q rise in total considerations in the third quarter. A subsidiary of Mapletree Logistics Trust acquired five floors of the Tai Sang Shatin Warehouse Centre for a total consideration of HK\$66 million, boosting its warehouse space in Shatin to approximately 1.75 million sf.

## PEOPLE'S REPUBLIC OF CHINA

With industrial land increasingly included in land use controls, same industrial zones in the Guangzhou Development District, especially those in the Guangzhou Science City sub-park have increasingly restricted access. Priority has been granted to leading MNCs and high-tech industries, while the minimum "investment ratio" (invested capital amount per unit area) has been raised.

MNCs continued to establish new bases and expand operations in Guangzhou, the regional hub of southern China. Global conglomerate 3M completed construction of both Phase 1 of its South China production base and the 3M South China Technology Centre, and put both into operation. Perlos, one of Nokia's major vendors, also set up a production line in Guangzhou. Hitachi Elevator (China) Co which had already established an R&D centre and manufacturing base in Guangzhou, relocated its regional headquarters to the city this past quarter.

In the midst of strong demand for industrial property from overseas companies, construction of the Guangzhou Science City Headquarters

### SELECTED SALES TRANSACTIONS IN Q3 2007

District	Property	Type	Size(sf)	Buyer
Luogang	Yonghe District YH-A2-6	Site	96,520	Guangzhou Dazu Fine Motor Ltd.
Luogang	Yonghe District YH-H5-4	Site	215,334	Guangzhou Xingke Fine Chemical Ltd.
Luogang	Yunping Industry Park JLGY-A-1	Site	462,852	Guangdong Agriculture Machinery Institute

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## GUANGZHOU

Economic Zone commenced in the core area of Science City on August 10. The zone covers a land area of 1.9 million sf and has a total construction area of about 3.66 million sf. Expected to be completed in July 2008, the park has attracted interest from MNCs such as TESCO, Wrigley, Amway, Comba and Baosteel.

With transparency expected to continue to increase in the Guangzhou industrial land market following the recent promulgation of regulations on industrial site transactions and growing demand for industrial facilities from MNCs, property developers and investors are becoming more interested in industrial developments. For example Clifford Group, which previously specialised in residential developments, is constructing the Clifford Airport Logistics Park in Huadu district. The park is located about 5 km from Guangzhou New Airport and involves a total investment of about RMB 400 million. With a total GFA of about 1.94 million sf, it is expected to open in the third quarter of 2008.

## PEOPLE'S REPUBLIC OF CHINA

## CHENGDU

The public listing-for-sale system for industrial land transactions has led to a large-scale increase in industrial land prices in Chengdu. The average price of industrial land in the third quarter reached RMB 28.8 psf, a 12.8% rise from the previous quarter. The average price of land in the Chengdu High-tech Development Zone (South) increased 13.8% q-o-q, while land in the Chengdu Economic and Technological Development Zone saw phenomenal price growth of 108% q-o-q.

Ten plots located in the Chengdu High-tech Development Zone (South) will be listed for land transfer in early October, and the auction is expected to further increase the average industrial land price in Chengdu.

End-users were active in leasing activities in all major industrial parks in Chengdu in the third quarter. Thailand Central Supply Co, Hong Kong Jiade Logistics Investment Co and Singapore RichLand Group Ltd each have projects in the Southwest Airport Economic Development Zone. Thailand Central Supply Co will invest RMB 300 to RMB 500 million to

construct production lines for industrial washing machines over the next two years; Hong Kong Jiade Logistics Investment Co will establish the largest international airport express centre in western China; and Singapore RichLand Group plans to build a large-scale refrigerated logistics base.

Flextronics (China) Electronics Technology Co officially launched its mobile phone R&D centre in the Chengdu High-tech Development Zone in August with a planned investment of US\$10 million. The new centre will be put into operation at the end of 2007. In September, a leading game developer Ubisoft signed an investment contract with Chengdu High-tech Development Zone. It will build a video game R&D centre in Tianfu Software Park, with office GFA reaching 22,596 sf.

Zhejiang Zhongnan Construction Group Co, Hisense (Chengdu) Refrigerator Co and Zigong Cemented Carbide Co have all settled in the Chengdu National Economic Technological Development Zone.

### SELECTED LEASING TRANSACTIONS IN Q3 2007

District	Property	Type	Tenant
Shuangliu	The Southwest Airport Economic Development Zone	Factory	Thailand Central Supply Co Ltd
Shuangliu	The Southwest Airport Economic Development Zone	Warehouse	Singapore RichLand Group Limited
Longquanyi	Chengdu Economic Technological Development Zone	Factory	Zigong Cemented Carbide Co Ltd
Longquanyi	Chengdu Economic Technological Development Zone	Factory	Hisense Refrigerator Co Ltd

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## PHILIPPINES

## MANILA

With a number of commitments for industrial development, both local and foreign, made in the third quarter, there is a perception of growth in the industrial sector.

Chinese glass maker Jingniu Glass Co Ltd, confirmed investing US\$300 million to develop a glass manufacturing facility in the Subic Bay Freeport. Phase 1 of the project will commence within the year with a committed investment of US\$100 million. The remaining US\$200 million will be distributed over the life of the project. The company will require at least 100 hectares of industrial land for the facility, which will specialise in the production of tinted glass for use in high-rise buildings.

Motorcycle manufacturer Yamaha is preparing to build its own manufacturing plant on a 23-hectare site in the Lima Land Special Economic Zone in Batangas after it terminated its technical licensing agreement with the locally based Norkis Group in August. The manufacturing plant, which will cost PHP 2.1 billion, is expected to be operational by 2009.

A new industrial park for small and medium enterprises was opened in Cebu in July by Planters Development Bank. The Plantersbank SME Industrial Park is a 40-hectare property within New Cebu Township One (NCTO), a 250-hectare integrated development with industrial, commercial and residential components. It is estimated that the bank invested between PHP 250 and PHP 300 million in the development.

The following month the Aboitiz Group's Metaphil broke ground on a PHP 500 million modular fabricator yard in Balamban, Cebu. The 6.5 hectare yard will build fabricated modules for clients worldwide and include fabrication sheds, blasting and maintenance structures and a pier facility. Potential clients within the area include shipbuilders Tsuneshi Co of Japan and FBMA Marine Inc of Cebu.

**NO MAJOR TRANSACTIONS WERE RECORDED IN MANILA IN THE THIRD QUARTER OF 2007.**

## THAILAND

The industrial property market in Thailand continued its uptrend in the third quarter of 2007. Demand for Serviced Industrial Land Plots (SILPs) and Ready-Built Factories (RBFs) was strong, reflected in the large increases in sales of both types of properties. Strong demand came from automobile and auto-part makers, including Honda and Toyota, which will invest in eco-car production in Thailand. The government's eco-car manufacturing incentives are expected to help Thailand emerge as a regional auto-parts hub.

The government recorded US\$4.7 billion worth of foreign direct investment from January to July, representing a decrease of 33.7% y-o-y, but direct investment in the industrial sector increased slightly by 1.4% y-o-y. The number of Board of Investment projects approved from January to September was up by 99% y-o-y, with US\$15.8 billion of total investment.

## BANGKOK

Overseas investment was concentrated in the auto-part, and electronic appliances and petrochemical industries, the three accounting for 579 projects and US\$8.8 billion of the total amount invested.

The average price of SILPs remained unchanged at THB174-232 psf per month. Rents of ready-built-factories (RBFs) were also stable, ranging between THB16.7-18.6 psf per month.

In the quarter's largest land transaction, Amata sold 200 rai in Amata Nakorn Industrial Estate in Chonburi province to Japanese tractor manufacturer Kubota. Kubota plans to use Thailand as its production base for exports to Asia, North America and Europe in the longer term. This plant will have a production capacity of up to 30,000 tractors per year.

### NO MAJOR TRANSACTIONS WERE RECORDED IN BANGKOK IN THE THIRD QUARTER OF 2007.

## VIETNAM

The development of industrial parks has aroused interest among investors, with some seeking to expand current facilities and others planning to develop new projects.

In Ho Chi Minh City (HCMC), Samco will develop an automobile industrial park in the Cu Chi District. The total area of the park will be 100 hectares and the total investment capital US\$20 million. Agtex, a local garment manufacturer, has received a license to develop a 47-hectare industrial park in Dong Nai. The park is located next to Amata and Loteco, two successful industrial parks.

Another notable project in Can Tho, some 170-kilometres southwest of HCMC, has attracted attention. Japan's Shiogai Seiki Group is planning to invest US\$400 million to build a 40-hectare high-tech park. The municipal authority has pledged to support the project because high-tech industries receive many incentives from the Central Government.

## HO CHI MINH CITY

High-tech industries continued to attract significant investments. In July, Global Equipment Services & Manufacturing Inc (GES) received an investment license to invest US\$36 million in Saigon High-tech Park. GES plans to build a 64,584-sf factory to manufacture semi-conductor products.

In addition to industrial parks, the Prime Minister has approved the establishment of the 18,800-hectare Southeast Nghe An Economic Zone, bringing the total number of economic zones in Vietnam to nine, with a combined area of 342,700 hectares.

### SELECTED LEASING TRANSACTIONS IN Q3 2007

District	Property	Type	Size (sf)	Tenant
Nine	Saigon High Tech Park	Manufacturing Design	64,583	Global Equipment Services
Binh Duong	My Phuoc 3 Industrial Park	Industrial	54,357	Trencilo
Twelve	Quang Trung Software Park	Service	28,341	GENPACIFIC

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

## VIETNAM

Average rent in industrial parks in Hanoi soared in the third quarter as supply remained limited. The majority of parks were at full occupancy including Thang Long Industrial Park, Noi Bai Industrial Park, Sai Dong B Industrial Park. However, the South Thang Long and Hanoi - Dai Tu parks had high vacancy rates. Therefore land prices in the Hanoi - Dai Tu Park, (general infrastructure included), was about three times the average of US\$0.27 psf per year in other industrial zones in Hanoi. The People's Committee of Hanoi has constructed two 5-floor buildings in Kim Chung Commune of Dong Anh District, which are expected to be operational in the third quarter of 2007.

The total turnover of enterprises in Hanoi's five industrial zones reached nearly US\$1.34 billion in first nine months of 2007, an increase of 24% y-o-y thanks to Vietnam's robust economy and exports.

In the third quarter of 2007, tenants took up the space remaining in the Thang Long and Noi Bai industrial zones, while others chose Hanoi - Dai

## HANOI

Tu. According to the Hanoi Authority of Industrial Parks and Export Processing Zones, six projects were granted investment licenses in August and September of 2007. In the largest project by amount invested, OSK Metal Co, Ltd which manufactures and processes metal products, will invest in Hanoi - Dai Tu Park. The project has US\$100 million total chartered capital. Almost all Japanese tenants in Hanoi's industrial parks specialise in manufacturing, core industries include linking equipment, components, engines and vehicle parts and electronics. Increasing numbers of Japanese companies have entered Vietnam because of the availability of skilled labour and economies in operating costs.

## SELECTED LEASING TRANSACTIONS IN Q3 2007

District	Property	Type	Size (sf)	Tenant
Dong Anh	Thang Long Industrial Park	Industrial	219,995	Molex International Inc
Dong Anh	Thang Long Industrial Park	Industrial	415,512	ENKEI
Soc Son	Noi Bai Industrial Park	Industrial	110,331	Endo Stainless Steel
Soc Son	Noi Bai Industrial Park	Industrial	241,490	Tokyo Byokane

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:

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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, 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

Q3 2007



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