



# ASIA INVESTMENT MARKETVIEW Q3 2008

CBRE RESEARCH | ASIA

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# EXECUTIVE SUMMARY

Asia is bracing itself for an economic slowdown as the present global financial crisis presents the region with the most severe economic challenge since its own, more localised, crisis in 1997-98, when currencies collapsed, confidence evaporated and foreign investors took flight.

Market sentiment softened considerably in the third quarter as the worsening state of global financial markets impacted capital flows into the sector. Overall the regional investment market is changing from being a seller's to a buyer's market as a rising number of sellers are coming under pressure to dispose of real estate assets in exchange for cash in order to shore up balance sheets and replenish liquidity. Highly-leveraged investors have largely stepped out of the region's investment markets, while core investors including pension and sovereign wealth funds have become more cautious about increasing their exposure to commercial property under the present market conditions. Investors are now generally more risk averse and some concessions from both parties will be needed to restore market liquidity. The outlook for the investment markets is expected to be difficult but opportunities remain for buyers looking for bargain sales.

Preliminary data shows investment volume down across the region during the third quarter. Cross-border investment volume fell by 33% y-o-y in the first nine months of 2008

as the bulk of investment activity was largely driven by domestic investors. Although US and European funds were the largest non-Asian investors in the market during the period, the amount of cross-border investment by US investors in Asia was down by 69% y-o-y in the first nine months of the year. Australia-based investors have also eased up on their investment activity this year. However, German funds remained active and were responsible for the biggest national level increase of capital flows to the Asian region as they looked to diversify away from troubled European economies.

**Japan** endured a continued slowdown in real estate investment activities in the third quarter. While the tougher lending environment forced many opportunistic funds to retreat from the market, core and core plus funds continued to acquire quality properties. However, the total number of acquisitions by J-REITs during the review period fell 70% in comparison to the same quarter in 2007.

The continuing credit squeeze also resulted in a number of bankruptcies in the Japanese real estate sector during the third quarter. Urban Corporation, a Hiroshima-based real estate developer, filed for bankruptcy protection in August under the Civil Reconstruction Law.

The **Singapore** property investment sales market suffered a

## ESTIMATED INITIAL YIELDS

City	Prime Office	Luxury Residential	Retail	Industrial
<b>Greater China</b>				
Beijing*	7.0 - 8.0%	4.0 - 6.0%	8.0-10.0%	9.5 - 11%
Shanghai*	6.0 - 8.0%	6.0 - 7.0%	7.0 - 8.0%	8.0 - 9.0%
Guangzhou*	5.7 - 9.3%	2.8 - 5.6%	6.0 - 8.0%	na
Hong Kong ^	4.7%	3.0%	4.3%	6.7%
Taipei	4.0 - 4.5%*	na	4.5 - 5.0% ^	4.0 - 5.0%*
Tokyo ^	2.8 - 3.3%	5.0 - 5.8%	2.8 - 3.3%	4.8 - 5.3%
Seoul	4.6 - 5.4%*	1.0 - 2.0% ^	6.0 - 6.5%*	7.0 - 7.5%*
<b>India*</b>				
New Delhi	7.5 - 10.0%	2.5 - 3.0%	7.0 - 10.0%	10.0 - 12.0%
Mumbai	14.0 - 15.0%	3.5 - 5.0%	14.5 - 15.5%	na
Singapore ^	5.6%	2.6%	5.9%	4.8%
Kuala Lumpur	6.0 - 6.5% ^	5.4 - 8.6%*	7.4 - 7.9% ^	na
Bangkok ^	5.0 - 6.0%	3.0 - 4.0%	7.0 - 8.0%	6.0 - 7.0%
Manila*	11.0 - 12.0%	7.0 - 10.0%	na	na
Jakarta ^	9.5 - 11.0%	10.8 - 12.0%	10.0 - 13.5%	8.5 - 10.3%

Reported initial yields for different cities are based on individual city's market practice and may be gross or net yields.

\* Gross yields - defined as the ratio of gross income (i.e. income before non-recoverable costs are allowed for) over purchase price.

^ Net yields - defined as the ratio of net income (i.e. income after allowing for non-recoverable costs of ownership) over purchase price.

further fall in the third quarter, with a total of S\$3.17 billion worth of investment transactions recorded. This was 34.6% lower than the S\$4.85 billion recorded in the second quarter of 2008. The amount was also a fraction of the S\$16.51 billion recorded in the same period last year and marked the fourth consecutive quarter that investment transactions dropped substantially.

The credit crunch has compounded financial instability in most global economies, compelling many investors to adopt a more cautious attitude, and Singapore has been no exception. Tighter credit measures brought about a temporary halt to major investment decisions as investors took stock of the implications with respect to the local property market. The bearish stock market has also affected broader investment sentiment.

In **China**, despite the overall success of the Olympic Games, investment sentiment softened dramatically in response to significant corrections in the stock market and the sizeable drop in transaction volumes in the residential sales market. The quarter saw a number of developers forced to discount their asking prices to encourage sales.

The period saw central authorities adopt a number of macroeconomic policies designed to sustain rapid growth and control the inflation rate. On 15 September the PBOC cut the lending rates and lowered the one-year RMB benchmark lending rate by 0.27 percentage points. Benchmark deposit rates remained unchanged. On September 25 the RMB reserve requirement ratio was lowered by one percentage

point for depository financial institutions. This has so far had only a limited impact in stimulating demand in the real estate market.

The downside risk to **Hong Kong's** near-term economic outlook has increased, mainly reflecting deterioration in the external environment that affects available liquidity in the market. The total quarterly sales volume of investment properties worth over HK\$100 million was down 61% y-o-y. However, the decline in asset prices to date is not especially severe when viewed in context of the rapid increase in rents and capital values in the years preceding the credit crunch.

**Taipei** started off the third quarter with a strong month but the adverse impact of the ongoing global financial turmoil was reflected in investment turnover for August and September, which fell 47% from the same period in 2007. August also saw the Taiwanese residential market begin to show signs of downturn, forcing a number of developers to postpone pre-sale housing projects originally scheduled to be launched in late September, the traditional high season for the residential market.

In **South Korea**, local investor sentiment was hit by the global financial crisis and prospective investors adopted a cautious approach as the optimism which had been evident over the past few years began to wane.

The tightened credit conditions saw highly leveraged investors looking to dispose their assets to mitigate debt,

## TOP 10 INVESTMENT DEALS

	CITY	DISTRICT	PROPERTY	SECTOR
1	Singapore	Various	Jurong Town Corporation's industrial property portfolio	Industrial
2	Beijing	Chaoyang	Capital Tower Beijing	Office
3	Tokyo	Shinagawa-ku	ON Building	Office
4	Tokyo	Minato-ku	Akasaka Tameike Tower	Office
5	Tokyo	Minato-ku	Otemachi Tatemono Aoyama Building	Office
6	Mumbai	Kurla	Bombay Taximen Colony	Residential
7	Beijing	Chaoyang	International Finance Centre (East Tower)	Office
8	Osaka	Osaka City	Shin Fujita Building	Office
9	Beijing	Chaoyang	Prosper Centre (West Tower/Retail Podium)	Mixed
10	Kuala Lumpur	Kuala Lumpur	Menara Citibank	Office

\* Top 10 Investment deals table excludes land transactions

while other cash-rich investors continued to adopt a wait-and-see approach to the market in anticipation of a possible slide in the capital value of commercial property corresponding to the potential exodus of foreign funds from the real estate market. The volatility of the Korean Won on the foreign exchange markets also encouraged investors to be cautious amid mounting concern over the shape of the Korean economy.

Investor confidence in **Thailand** weakened in the third quarter in the face of the global economic slowdown and ongoing domestic political instability. Local banks grew cautious about lending for real estate projects, although a number of cash rich domestic investors were still looking for long term investment opportunities in the country.

Although net foreign direct investment into the Thai real estate sector increased by 48.4% y-o-y from US\$574.5 million to US\$852.8 million for the first seven months of the year, this trend is unlikely to be sustainable for the remainder of 2008 as the big jump was largely due to a number of major projects which had been under prolonged negotiation this year and finally closed in the third quarter.

The global economic slowdown gradually made its presence felt on the **Philippines'** real estate investment market during the review period. Developers were forced to cut the price of several properties earmarked for commercial and residential development, some of which had been on the market for over six months, in order to attract buyers and speed up the transaction.

The **Malaysia** investment market softened in the third quarter as market sentiment grew cautious in view of the unsettled global financial markets. There was a fall in the number of residential developments launched to market as developers adopted a wait-and-see approach. Although the investment market was quiet, capital values and initial yields remained largely stable for both high-end condominium and commercial properties.

In **India**, the real estate investment market remained subdued amid heightened economic worries. Domestic credit control measures impacted the availability of funds for developers and delayed project timelines and schedules. At the same time, high interest rates and inflation negatively affected investor demand. Transaction volumes in the residential, office and retail sectors, which had already begun to slow earlier in the year, further tapered off during the third quarter.

The slowdown made it difficult for developers to recycle capital. Liquidity within the investor community was also on the decline due to weak equity markets coupled with a bearish outlook on real estate prices.

APPROX. TRANSACTION VALUE (million US\$)	SELLER	BUYER	LOCAL/ FOREIGN BUYER
1,196	Jurong Town Corporation	Mapletree Industrial Trust (Mapletree Investments JV with Arcapita Bank & Mapletree Industrial Fund)	Local/Foreign
488	CapitaLand	Sky Property Management Limited	Foreign
376	YK SI Aking 2	Mori Trust Sogo REIT	Local
350	Mori Building	Mori Hills REIT	Local
292	Endeavour Private Fund YK	Nippon Building Fund	Local
234	Bombay Taximen Colony	Narang Developers	Local
232	Beijing Jian Ji Tian Run Real Estate Development Co. Ltd	Anbang Insurance	Local
226	Dojima Investment YK	Japan Real Estate Investment	Local
223	Beijing Prosper Real Estate Development Co. Ltd	China Ping An Trust & Investment Co. Ltd	Local
213	Menara Citi Holding Co. Sdn Bhd, CapitaLand Ltd, Amsteel Corporation Berhad	IOI Corporation	Local

# GREATER CHINA BEIJING

Despite the chilly investment climate, investment interest remained resilient in the prime office sector during the third quarter, with several notable transactions taking place. In July, Anbang Insurance acquired the East Tower of the International Financial Centre, located along Changan Avenue, for a consideration of RMB 1.6 billion (US\$232.3 million). At the same time, it was reported that China Ping An Trust & Investment Co Ltd purchased the West Tower and retail podium of Prosper Centre located in the CBD for RMB 1.5 billion (US\$223.4 million).

In September, CapitaLand announced it had entered into a share purchase deal for the sale of Capital Tower Beijing located in the CBD at a price of RMB 3.3 billion (US\$488 million) to Sky Property Management Limited. CapitaLand acquired Capital Tower Beijing in 2005 for RMB 1.8 billion (US\$268.2 million) in 2006. The property has a GFA of 107,627 sm (1.2 million sf).

In the residential sector, investment sentiment dampened further during the period, with transaction volume falling 30% y-o-y. In an attempt to stimulate the market a number of developers opted to cut prices instead of providing the usual perks relating to management fees or interior decoration.

Major deals in the retail sector during the quarter included Wangfujing Group's acquisition of a 55% equity stake in Wangfujing Plaza from Dongli International Investment Group, for a total consideration of RMB 1.1 billion (US\$154.8 million).

## MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = RMB 6.8485

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			RMB	US\$
Office	Chaoyang	Capital Tower Beijing	3,342	488
Office	Chaoyang	International Finance Centre (East Tower)	1,591	232
Mixed Use	Chaoyang	Prosper Centre (West Tower/Retail Podium)	1,530	223

# GREATER CHINA SHANGHAI

The residential market continued to be sluggish in the third quarter as prime office and retail development opportunities continued to attract more attention from prospective investors. Investment yields for various property sectors generally remained stable during the review period. Tight domestic credit conditions forced a number of local developers to offer their projects for en-bloc acquisition. Institutional investors continued to enquire about investment opportunities in the city.

A number of major transactions were closed during the quarter. In August, the Commercial Aircraft Corporation of China Ltd signed a sales and purchase agreement with China Enterprise to buy Fuxi Building (No.25 Zhangyang Road) at a total consideration of RMB 460 million (US\$67.2 million). The 19-storey building has a total GFA of about 13,750 sm (148,000 sf), and is comprised of

a four-storey retail podium and an office block on the top floors. China Enterprise previously bought the building in the first quarter of 2007 for RMB 320 million (US\$ 46.7 million).

In July, Deluxe Family Co Ltd announced that one of its wholly-owned subsidiaries had entered into an equity transfer agreement to sell 100% of Tianjin Di Fu Shopping Mall Operation Management Company to COF III SRL for a total consideration of RMB 339 million (US\$49.5 million). COF III SRL is a subsidiary company of ING Real Estate Management NV. Tianjin Di Fu owns Chang Chun Teng Building (No.818 Nanjing Road West), a retail complex with a total GFA of 20,661 sm (222,400 sf). According to the agreement, the property will be sold at a consideration of RMB 867 million (US\$126.6 million).

## MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = RMB 6.8485

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			RMB	US\$
Hotel	Jing'an	87% of Shanghai SIIC South Pacific Hotel Co.Ltd (Four Seasons Shanghai)	1,183	173
Retail	Jing'an	Chan Chun Teng Building (No.818 Nanjing Road West)	867	127
Mixed Use	Pudong	Fuxi Building (No.25 Zhangyang Road)	460	67

# GREATER CHINA

# GUANGZHOU

Investment activity faded in the third quarter with only two relatively small equity investment deals reported. Hong Kong based Willie International Holding Ltd purchased 100% of the shares in Jet Star Industries Ltd from Mascotte Group for HK\$112 million (RMB98.2 million). Jet Star owns a 20-storey office building in Liwan District. Meanwhile, Shantou Electric Power Development Co acquired a 70% equity stake in Guangzhou Huadu Huamei Industrial Co Ltd, which holds a 76,080 sm (818,930 sf) residential site in Huadu District, for RMB 121 million (US\$17.7 million).

In the residential sales market, official statistics show that sales volume in the third quarter increased by 18.5% q-o-q, although average prices dropped by 13.8% between June and September this year. The transaction volume of commodity housing amounted to 6.5 million sf (0.6 million sm) and 6.6 million sf

(0.61 million sm) respectively in July and August, equivalent to 80% and 89% of the level at the same period of last year.

The land market remained lacklustre during the quarter as local developers suffered from tight cashflow and foreign investors became increasingly conservative amid deteriorating global economic conditions. In a government land sale, two residential sites located in Huadu District, with a total land area of up to 230,000 sm (2.5 million sf), received no bids at all, while only one plot in Haizhu District was sold. The East Tower site in the Pearl River New City area, where another landmark building similar to West Tower will be developed, was secured by Chow Tai Fook at the opening bid. The site covers a land area of 26,494 sm (285,180 sf) and will have a total GFA of 368,000 sm (4 million sf).

## MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = RMB 6.8485

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			RMB	US\$
Mixed Use	Huadu	70% of stake in a residential site in Huadu District	121	18
Office	Liwan	Guangyu Building (Jet Star Industries Ltd)	98	14

# GREATER CHINA

# HONG KONG

The investment market weakened in the third quarter amid worries over the global credit crunch. Hong Kong's 1-month and 3-month Hong Kong Interbank Offered Rates (HIBOR) surged over 240 and 130 basis points at 4.36% and 3.66%, respectively, from the end of June to the end of September, highlighting the fact that concerns about credit risk in the interbank market have heightened, and with it the financing cost to borrowers. These trends undermined investor confidence across the board, as both the number of private investment transactions worth over HK\$100 million and the lump sum transacted in each major property sector continued to trek south during the review period.

Transaction volume of office properties worth over HK\$100 million was down 43% q-o-q, however the quarter saw one major transaction in Central with the sale of the CNAC Building for HK\$1.38 billion, or a unit rate of about HK\$19,720 psf.

Meanwhile, the luxury residential market was hit hard in the third quarter following a short surge around the middle of the year. Potential buyers turned cautious in the face of a likely prolonged economic downturn. The bleak picture was borne out by a discouraging monthly residential market statistics from the Land Registry showing the latest number of transactions worth HK\$10 million or above plunged from the last peak of 1,302 transactions in November 2007 to only 152 transactions in August.

The decline in pricing is not especially severe when viewed in context of the rapid increases in rents and capital values in the years preceding the current economic crisis. That said, as uncertainty regarding future market conditions persists and expectations between buyers and sellers continue to widen, transaction volumes are more likely to continue to drop over the medium-term.

## MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = HK\$ 7.7644

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			HK\$	US\$
Office	Sheung Wan	CNAC Group Building	1,380	178
Office	Sheung Wan	Cosco Tower, 16/F	570	73
Retail	Wan Chai	130-136 Johnston Road	400	52

# GREATER CHINA TAIPEI

The investment property market in Taipei was active in the third quarter despite worsening financial conditions worldwide. Total turnover in the first 9 months of 2008 reached NT\$135 billion (approx. US\$4.35 billion), up 3.5% from the same period in 2007.

Despite respectable sales volumes, the commercial property market was significantly impacted by the economic conditions. Over 70% of total turnover was transacted in July, but the number of investment deals sharply decreased in the subsequent two months, with just 7% of total sales taking place in September. The quarter's investment market was mainly fuelled by transactions involving vacant lots, with local developers and insurance companies aggressively expanding their land banks.

Among sectors, the residential segment was affected most by

the unfavourable market conditions. Transaction volumes of residential properties subsequently plunged in July and August, with the number of deals for August 2008 alone dropping 23.6% y-o-y. The slump forced increasingly pessimistic developers to postpone the launch of several pre-sale projects, including a number of luxury condominiums.

However, investors and developers have yet to lose their confidence in commercial properties. Price levels for commercial assets held firm and gross yields remained at levels similar to those recorded in the preceding quarter. Notable transactions in the third quarter included the acquisition of the site coded A1, located in the Xinyi Planned Area. Farglory Life Insurance purchased the vacant lot with an office building forward contract for NT\$12.9 billion (US\$401 million), breaking the national sales record for a single property transaction.

## MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = NT\$ 32.1715

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			NT\$	US\$
Site	XJA	Lot A1	12,900	401
Site	Daan	Residential lot in Rui-an Section	10,140	315
I/O	Neihu Technology Park	GTV Building	3,042	95

# JAPAN TOKYO

The continuing credit squeeze led to a number of bankruptcies in the Tokyo real estate sector during the third quarter. The most high profile failure came in August, when Urban Corporation, a Hiroshima-based real estate developer, filed for bankruptcy protection under the Civil Reconstruction Law (a "debtor-in-possession" bankruptcy law).

Despite the overall decline in transaction activity, core and core plus investors continued to be active purchasers of quality assets. Cascade GK, an SPC of Redwood Group acquired a sectional ownership of the Italian Cultural Institute building in Chiyoda-ku in July. The building, built in 2005, is a multi-complex of office and cultural facilities, and provides a total floor area of 159,170 sf over 12 stories above ground and two stories below. Cascade's acquisition of floors three to 11 equates to an NLA of 81,450 sf.

Meanwhile, CR-Kamiyacho GmbH & Co. Kommanditgesellschaft, a related company of Commerz Real AG, acquired DaVinci Kamiyacho in Minato-ku from DA Office Investment (DAO) for JPY 17 billion. The office building, built in 1989, is a three minute walk from Subway Kamiyacho Station, and provides 82,520 sf of net leasable space over 11 stories.

The blue-chip J-REITs also remained active during the quarter. In August, Mori Trust Sogo REIT (MTR) acquired ON Building in Shinagawa-ku for JPY 39.9 billion at an estimated NOI yield of 4.3%. The building, built in 1990, is located 10 minutes walk from JR Osaki Station, provides 222,300 sf of net leasable area over 21 stories above ground and 2 stories below, and is fully leased to Kobe Steel, Ltd.

## MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = JPY 106.165

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			JPY	US\$
Office	Shinagawa-ku	ON Building	39,900	376
Office	Minato-ku	Akasaka Tameike Tower	37,200	350
Office	Minato-ku	Otemachi Tatemono Aoyama Building	31,000	292

# SOUTH KOREA

# SEOUL

Growing uncertainty in the global credit markets led to a deterioration of sentiment among investors looking for opportunities in Seoul during the third quarter. The tenor of the gap between asking and selling prices continued to widen.

The quarter witnessed transactions involving two Grade A office properties. Daewoo Securities re-acquired the Daewoo Securities Building in YBD for KRW 180 billion from DBREi. The company had previously disposed of the building in 2001 to resolve a credit crunch. The other Grade A deal saw Ajia Partners, a Hong Kong based fund, acquire the K1 REITs Building located on the fringes of the CBD for KRW 108.7 billion from GE Real Estate.

The tightened credit conditions saw highly leveraged investors looking to dispose their assets to mitigate debt. Other cash-rich investors continued to adopt a wait-and-see approach in

anticipation of a possible slide in the capital value corresponding to the potential exodus of foreign funds from the real estate market. The volatility of the Korean Won on the foreign exchange markets led investors to become more cautious amid mounting concern over the soundness of the Korean economy.

A government rescue package was announced in October to combat the bleak market sentiment. The package will help local banks secure foreign borrowings amid the volatile KRW in the foreign exchange market. The government also carried out a preemptive rate cut to reinvigorate the shaky economy and prevent a meltdown in the equity market. It is also reportedly planning to provide liquidity to the construction sector, which is facing a credit crisis due to the continued sluggish performance of the housing market.

## MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = KRW 1206.95

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			KRW	US\$
Office	GBD	Samhwa Building	253,000	210
Office	YBD	Daewoo Securities Building	180,000	149
Office	CBD	K1 REITs Building	108,700	90

# INDIA

# MUMBAI

The Mumbai real estate investment market remained subdued in the third quarter as cautious investor sentiment took hold. This, along with the global credit crunch, restricted flows of capital into the sector, both at an institutional as well as an individual level. High mortgage rates and increased prices resulted in lethargic demand for residential assets. The slowdown also created problems for developers recycling capital. Liquidity within the investor community was on the decline due to weak equity markets coupled with the bearish outlook for real estate prices.

Developers shifted focus from building land-banks to implementing and completing planned projects during the quarter. Commercial yields moved significantly, with investors expecting about 200 to 300 bps arbitrage over debt pricing. The underwriting of project returns are expected to become more conservative and

selective as the returns on prior investments are yielding less than satisfactory results.

In one of the largest real estate deals in redevelopment areas, Mumbai-based Narang Developers signed an agreement with Bombay Taximen Colony, one of the oldest housing societies in Kurla, Mumbai. Meanwhile, DS Kulkarni Developers Ltd executed a shareholders agreement with GTC Cyprus, a Kardan Group Company, to jointly develop a 250 acres multi-service SEZ Project in Pune through a 50:50 joint venture. In another major deal, Credit Suisse Group AG is investing US\$ 124 million in Bangalore based real estate developer, Purvankara Projects Ltd.'s Provident Housing & Infrastructure Ltd. Unit and SPV to develop low-cost housing.

## MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = INR 46.965

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			INR	US\$
Residential	Kurla	Bombay Taximen Colony	11,000	234

## INDIA

# NEW DELHI

The New Delhi investment market was quiet during the review period as domestic credit control measures impacted the availability of funds for developers and delayed project timelines and schedules. Transaction volumes in the residential, office and retail sectors, which had already begun to slow during the second quarter, further tapered off during the third quarter.

Slow demand in the residential market led to a 5%-10% correction in prices. Developers are refusing to discount any further and are focusing on completing existing projects instead of land-banking.

In a joint venture with Parsvnath builders and the Haryana State Industrial Development Corporation Ltd (HSIDC), the Sabeer Bhatia Company announced plans to develop a huge township in Panchkula, Chandigarh. The 11,000 acre 'Parsvnath Nanocity'

is a public-private partnership in which HSIDC will hold a 10% equity stake, and Bhatia and Parsvnath developers will hold 52% and 38% respectively.

TAIB Bank, a leading private bank based in Bahrain, picked up a 26% stake in the New Delhi based Anant Raj Projects for INR 21.6 million. TAIB Bank routed the investment through its real estate investment arm Acacia Real Estate. Anand Raj Projects plans to develop 600,000 sf of retail space which is expected to be operational by the first half of 2009.

Although there has been a dip in the number of transactions and capital commitments, long term prospects remain fairly promising, a fact borne out by the number of private equity deals that have taken place recently and the extent to which private equity funds have been scouting for partners.

### MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = INR 46.965

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			INR	US\$
NO MAJOR TRANSACTIONS				

## INDONESIA

# JAKARTA

The global financial crisis hit market sentiment in the third quarter but local attention continued to focus on the prolonged high level of inflation, which stood at 12.14% in September, and the benchmark lending rate, which stood at 9.25% the same month. However, the general consensus in the market is that inflationary pressure is gradually expected to ease as oil prices decline.

Despite the prevailing higher financing costs, a number of developers remained active during the quarter, pursuing several project developments in Jakarta and the surrounding areas. Modernland Group announced a new development opposite Taman Modern housing estate in the Cakung Area, East Jakarta. The project, Jakarta Garden City, is to be developed under a joint venture with Keppel Land from Singapore and will cover a site area of 270 hectares. It will include a residential complex consisting of

houses, offices, a hotel resort, a shopping centre and supporting facilities such as a medical centre, a clubhouse, an international school and a sports centre.

The quarter saw the launch of plans to encourage the development of the eastern and western parts of the city. The new areas will be known as Sentra Primer Baru Timur (SPBT) and Sentra Primer Baru barat (SPBB). Construction of properties in the SPBB is already underway with the Puri Indah housing estate, developed by Group Metropolitan Kencana, and the St. Moritz Penthouse and Residence, developed by Lippo Group. The SPBT presently consists of vacant lots owned by government companies such as Perumnas and DKI Jakarta. One project underway in that location is the Sentra Timur Residence, consisting of subsidised high rise residential blocks to be developed under a joint venture with Bakrie Group.

### MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = IDR 9,430

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			IDR	US\$
NO MAJOR TRANSACTIONS				

## MALAYSIA

## KUALA LUMPUR

This section is contributed by  
Regroup Associates

Overseas institutions have largely dominated the investment market over the past 18 months but were forced onto the back foot this quarter as the global economic situation deteriorated. The period saw cash-rich local investors, including locally listed REITS and domestic corporations, comparatively active in the market.

Investors were busiest in the office sector, where notable transactions included IOI Corporation's purchase of Menara Citibank tower (733,600 sf) from a consortium owned by Menara Citi, Capitaland and Amsteel. The property changed hands for RM 733.6 million, which equates to a unit price of RM 1,000 psf with an initial gross yield of 6.35%. The price was considered reasonable as major investment-quality office buildings are rarely available on the local market.

The quarter also saw Tower REIT acquire the Kenanga International building (297,511 sf) located in Jalan Sultan Ismail, for RM 277.5 million, representing a unit rate of RM 934 psf. However, the unit price is expected to fall to RM756 psf after renovations add a further 70,000 sf of net lettable area to the property. Another major transaction was the bulk sale of the residential project Pearl @ KLCC by Kuwait-based Flora Bliss Development Sdn Bhd for RM 550 million, which equates to a unit price of approximately RM 800 psf. The property is still under construction and slated for completion by end-2010.

Other major news during the quarter included the announcements by Suncity and Capitaland that they would defer plans to list their REITs on the stock exchange because of the unsettled financial markets.

## MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = RM 3.4425

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			RM	US\$
Office	-	Menara Citibank	734	213
Residential	-	The Pearl @ KLCC	550	160
Office	-	Kenanga International	278	81

## PHILIPPINES

## MANILA

The global economic slowdown gradually made its presence felt on the local real estate market during the third quarter. A number of properties available for sale during the period remained unsold as local and overseas investors were deterred by owners' unwillingness to reduce their asking prices. Unsold properties still on the market at the end of the quarter included several prime buildings located in the CBD and Fort Bonifacio district. The trend indicated the current deterioration in the market has not yet reached the point where owners feel compelled to sell.

Some office building development projects pushed back their turnover dates by a few months, mainly due to increases in the price of construction materials. Prices of steel and products derived from steel have doubled since last year while cement prices (cost per 40 kg bag) have been increasing by about 5% to 10% every

quarter since the start of 2008. The delays can also be attributed to deferment of take up of pre-committed/pre-leased space by some tenants. The economic crisis forced some of these tenants to postpone moving in to these spaces as they review their budgets and adjust to the current situation. Developers adjusted to this by slowing down the construction process.

The global financial crisis also led to a slump in overseas investment in both residential and office units, especially from prospective buyers from countries that have been hit the hardest. The effects of the financial turmoil on the local market are expected to be felt more intensely towards the end of the year, when the repercussions would have gathered enough momentum to significantly affect the local property market.

## MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = PHP 47.05

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			PHP	US\$
NO MAJOR TRANSACTIONS				

# SINGAPORE

# SINGAPORE

The industrial sector accounted for the largest proportion of sales during the third quarter, its contribution of S\$1.92 billion in transacted value making up 60.6% of total investment sales. The most significant transaction was Jurong Town Corporation's (JTC) divestment of an industrial property portfolio to Mapletree Industrial Trust, a joint venture between Mapletree Investments Pte Ltd, Mapletree Industrial Fund and Arcapita Bank, for a total of S\$1.71 billion. The portfolio comprises 39 blocks of flatted factories, 12 amenity centres, six stack-up buildings, one ramp-up building, three multi-tenanted business park buildings and one warehouse building. It was also reported that Cambridge Industrial Trust (CIT) acquired 29 Tai Seng Avenue for S\$55.2 million and First REIT acquired a healthcare logistics and distribution centre at Tuas View Lane for S\$42.0 million.

Investment activity in the residential sector (including Good Class

Bungalow sales) continued to suffer from a slowdown in the third quarter, generating S\$807.79 million in transacted value or 25.6% of total investment sales. Developers' ability to acquire sites was constrained by rising construction costs, rising interest rates and tighter lending measures.

Both office and retail investment sales markets were relatively quiet as investors adopted a more cautious stance. The reduced availability and increased costs of debt financing impacted investors' ability to acquire commercial properties, resulting in a decline in sales momentum. One notable transaction in the review period was the sale of a commercial property portfolio by Eng Wah Organisation to EW.G Pte Ltd for a total of S\$99.48 million. The portfolio included Toa Payoh Entertainment Centre, Jubilee Entertainment Complex in Ang Mo Kio, Empress Theatre in Clementi and the 16th floor of Orchard Towers.

## MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = S\$ 1.4297

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			S\$	US\$
Industrial	Various	Jurong Town Corporation's industrial property portfolio	1,710	1,196
Hotel	Orchard Road	Somerset Orchard	100	70
Mixed Use	Various	Toa Payoh Entertainment Centre, Jubilee Entertainment Complex, Empress Theatre and the 16th floor of Orchard Towers	99	70

# THAILAND

# BANGKOK

The third quarter saw investor confidence in the local market weaken in the face of the global economic slowdown and ongoing local political problems. However, cash rich domestic investors were still looking for long term development opportunities in Bangkok.

Major transactions in the third quarter included the purchase of a 1.73 acre prime office development site on Sathorn Road by American International Assurance (Thailand) for US\$ 41.3 million. Meanwhile, a number of foreign investors formed joint ventures on a one-off basis with Thai developers, mainly focusing on the development of condominiums in the city. The joint ventures involve foreign investors providing equity and Thai developers arranging additional funding, although CBRE anticipates that there will be less foreign participation in the future, which will mean fewer new projects.

## MAJOR TRANSACTIONS

EXCHANGE RATE: US\$ 1 = THB 33.84

SECTOR	DISTRICT	PROPERTY	APPROX. PRICE (MILLION)	
			THB	US\$
Site	Sathorn	Land site	1,400	41.3
Site	Bangrak	Land site	342	10.1

The increasing difficulty of obtaining funding from both Thai banks and international investors is expected to slow the launch of new projects in all sectors. Some property owners will face challenges in refinancing projects once existing borrowing agreements expire. This could result in properties coming onto the market, thereby presenting opportunities for cash-rich buyers.

The global credit crunch may result in the disposal of asset portfolios by a number of highly-leveraged owners who have been relying heavily on foreign funding, which is no longer available.

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