ASIAN MARKET RENTS

Q2 2003

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As the SARS outbreak abated in Asia, as of mid-year, many of the region's economies commenced experiencing a fairly broad-based economic recovery. Sentiment in the region turned generally more buoyant, stimulated by inward flow of foreign investment, rising equity markets and continued improvement in region's export sector. However, the impact of this regional upturn on the performance of individual office markets in the Asian region is being seen to vary considerably, along with differences in each city's economic micro-environment, and especially the relative position of each city within its own office market cycle.

Hong Kong prime office leasing activity started to rise again in June following the severe disruption experienced in April and May. While the June signing of CEPA (Closer Economic Partnership Arrangement) between the PRC and SAR governments was a concrete demonstration of the fact that the Chinese government intends Hong Kong to maintain its role as a thriving business hub, in the short-term, corporate confidence still falls short of robust and limited capex budgets continue to constrain large-scale office relocation and expansion activity.

In the second quarter, Singapore prime office market leasing activity was largely limited to corporate lease renewals. While the economic upturn in Asia is expected to give a boost to the Singaporean economy, allowing it to regain some of its lost momentum in the second half of 2003, growth in office requirements by occupiers in some industries is likely to be counterbalanced by continued downsizing in other industries. These two countervailing tendencies will give rise to a stabilizing office market, underpinned by fairly static demand.

In Beijing, the sharp contraction in demand in the second quarter resulted in a corresponding rise in prime office vacancy levels. While the SARS outbreak has proved to be only a passing phenomenon, the municipal government's drive to urge developers to complete major projects currently under development prior to the 2008 Olympic Games will potentially have a much more profound impact on the Beijing office market over the mid-term, causing a potentially huge spike in office supply in the run-up to the event. In Shanghai the SARS outbreak in April and May had only a slightly dampening effect on the strongly positive sentiment underpinning the buoyant performance of the city's office market. It is also worthwhile to note that the substantial growth in demand for prime office facilities currently being witnessed in Shanghai is taking place against a backdrop of projected increase in supply on a scale which does not exceed the market's overall short-term absorption capacity. In the second quarter, the Guangzhou office market was relatively more heavily impacted by the SARS outbreak, having been exposed to the contagion for more than six months before it was contained. However as the outbreak finally ended, the city's office market rapidly returned to its former, essentially stable condition characterized by gradual, long-term consolidation, which in itself is a result of the city's tendency towards over development.

MAJOR ECONOMIC INDICATORS

	Real GDP Growth (as Q2 03)	Consumer Price Index (as Q2 03)	Bank Prime Lending Rate (as Q2 03)	Exchange Rate to US$
PRC	8.20	0.60	5.49	8.28
Hong Kong	4.50 (as Q1 03)	-3.10	5.00	7.80
Singapore	-4.30	-0.10	5.30	1.76
Japan	0.30	-1.60	1.40	119.59
Taiwan	1.20	-0.25	6.33	34.60
South Korea	1.90	3.40	7.50	1,194.45
Thailand	6.30	1.90	7.00	41.99
Indonesia	2.04	1.22	7.77	8,275.00
India	4.50	4.80	10.50	46.40
Philippines	4.50	3.40	8.83	53.63

Source: Economist Intelligence Unit and CB Richard Ellis.

The impact of SARS on the Taipei office market in March to May was fairly minimal. Performance of the Taiwanese economy is expected to improve in the latter half year, bringing with it a higher level of business confidence. Recently, the completion of a number of high quality office developments in Hsin Yi Planned Area attracted a number of MNCs and international financial institutions to relocate their Taipei headquarters to this area. However, despite this bright spot, over the mid-term, the gradual hollowing out of Taipei's downtown business districts as prime office locations remains a concern, especially in the light of the continuing flight of domestic hi-tech firms from the core inner city to suburban fringe hi-tech business parks, so as to achieve savings in operational costs.

In Japan, despite the relatively anemic condition of the national economy, demand in Tokyo for Grade A office facilities remains surprisingly brisk, largely due to the relative lack of Grade A facilities in the central Tokyo area. However, despite the strong interest displayed by Tokyo office occupiers in the newly completed properties, Tokyo Grade A office rents remained under downward pressure in the second quarter, as the market continued to absorb the record breaking 7.85 million sq ft of high quality office facilities which came on stream during the first half year. Nevertheless, the relatively small quantum of Grade A office space which expected to be completed in the latter half year, coupled with the persistence of fairly robust demand for quality office facilities is expected to cause continued reduction in office vacancy levels.

Reflecting the slower pace of growth of the Korean economy in the first half year, office leasing activity in the Seoul CBD area was more subdued in the second quarter, as landlords generally became more focused on maintaining rents at their current level rather than attempting to escalate them. While many Korean companies will continue to focus on cutting cost and limiting capital expenditure, a number of local conglomerates and FIRE sector companies are likely to become swept up in the renewed sense of business confidence that is accompanying the current regional economic recovery, and this may very well usher in a resurgence of higher levels of relocation and consolidation activity in Seoul's prime office districts.

Along with the winding down of the SARS crisis and the expected improved performance in the Philippine economy in the latter half of 2003, a number of Manila-based corporations began to revisit their expansion and relocation plans in the second quarter of 2003. While it forecast that prime office rents will remain soft in the immediate future, nevertheless with average prime office building occupancy level having risen to nearly 80 per cent, landlords will commence standing firmer in offering leasing terms, which is a crucial pre-condition for the market regaining stability in 2004.

In the second quarter, Bangkok office rents continued to record positive growth, stimulated by corporate expansion in the insurance, IT-sector and property industry sectors. However, despite this positive performance, relocation activity in the Bangkok CBD showed signs of slowing as the recent persistent rise in office rents has made it harder to get board approval for relocation or expansion budgets. However, despite these signs of a slow-down, with no new prime office properties scheduled to be completed in 2003 in Bangkok, limited supply and stable demand will continue to lead to a modest rise in in Bangkok CBD office rents over the short-term future.

Jakarta CBD office market leasing activity was mostly driven by the consolidation of medium-sized domestic companies within the CBD and by the relocation of international and regional office occupiers from suburban business locations in the wake of the heightened security concerns following last year's terrorist bombing in Bali. Despite the flurry of leasing activity caused by these relocation moves, over short to term, Jakarta office rents will display a softening trend and vacancy levels will tend to rise, along with further modest increase in supply. Little new demand for prime office facilities in Jakarta is expected to materialize within the next half year, especially given the escalating political tensions in the run-up to the 2004 presidential election.

In the second quarter, New Delhi CBD area remained quiet while newly emerged satellite business area of Gurgaon continued to display high levels of leasing activity as not merely the favored destination for corporate relocation, acquisition and expansion but also the focus point of much new commercial development activity in NCR (National Capital Region of Delhi). While New Delhi CBD rents remained flat in the second quarter, Gurgaon prime office rents continued to consolidate as a result of the sizeable quantum of new office supply which has recently come on stream in this new, satellite area.

In Mumbai, prime office market conditions in the traditional southern city CBD area of Nariman Point remained soft, with the bulk of new completions and tenant relocations all occurring in the more recently emerged northern suburban office districts of Bandra Kurla, Andherhi Kurla and Malad. Office rentals in these newly emerged commercial areas remained under pressure in the second quarter, prompted entirely by the wave of speculative development activity which is now sweeping through these three suburban fringe office micro-market areas.

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SUMMARY OF GRADE A OFFICE RENTS AND OCCUPANCY COSTS

City	Rent			Total Occupancy Cost		
	As at Q2 2003 per local currency/measure	As at Q2 2003 per US$/sq ft	% change over previous quarter	As at Q2 2003 per local currency/measure	As at Q2 2003 per US$/sq ft	% change over previous quarter
Beijing	US$19.65 psm	1.83	-3.01	US$22.90 psm	2.13	-2.59
Shanghai	US$21.24 psm	1.97	0.38	US$24.14 psm	2.25	0.37
Guangzhou	US$10.47 psm	0.97	-4.64	US$12.91 psm	1.20	-3.73
Hong Kong	HK$16.81 psf	2.16	-5.98	HK$24.34 psf	2.99	-4.05
Singapore	S$3.10 psf	1.79	-12.50	S$4.50 psf	2.56	-10.00
Tokyo	Yen 33,500 ptsubo	7.87	-1.47	Yen 41,000 ptsubo	9.51	-1.22
Taipei	NT$2,223 pping	1.80	-3.68	NT$2,613 pping	2.01	-5.36
Seoul	Won 84,830 ppyung	1.99	-0.05	Won 115,565 ppyung	2.72	0.05
Bangkok	Baht 372 psm	0.82	1.28	Baht 461 psm	1.02	1.10
Jakarta	US$ 6.90 psm	0.67	4.35	US$ 10.92 psm	1.01	2.85
New Delhi	Rs 85 psf	1.83	0.00	Rs 108 psf	2.32	-2.31
Mumbai	Rs 105 psf	2.26	-4.55	Rs 150 psf	3.23	-3.23
Bangalore	Rs 38 psf	0.82	-5.00	Rs 57 psf	1.22	-5.10
Manila	Peso 332 psm	0.58	-4.60	Peso 482 psm	0.84	-3.21

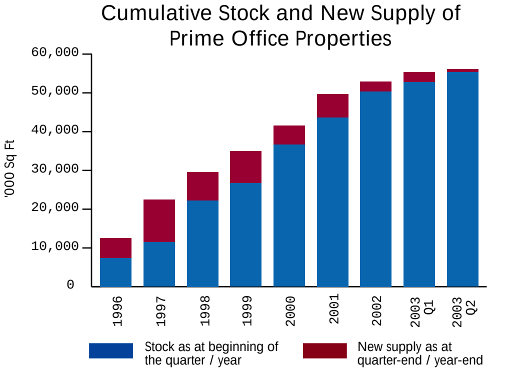
SUMMARY OF GRADE A OFFICE OCCUPANCY AND VACANCY FACTOR

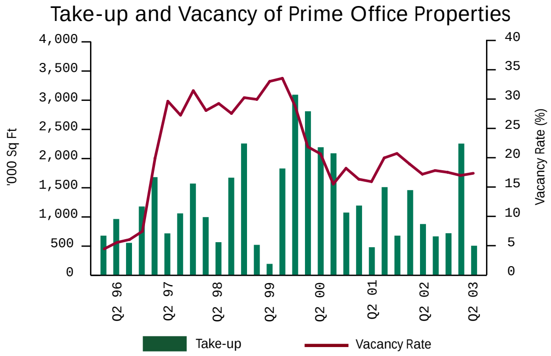
City	Vacancy Rate	Change over previous quarter	Net Take-Up (Q1 03, sq ft)	Net Take-Up (Q2 03, sq ft)	Total Prime Office Stock (Q2 03, sq ft)
Beijing	17.30%	0.37	2,221,690	472,733	56,102,498
Shanghai	8.00%	0.20	1,034,080	1,425,150	60,397,439
Guangzhou	10.80%	0.90	192,783	110,870	18,494,060
Hong Kong	10.70%	0.50	-126,000	-208,782	39,538,538
Singapore*	17.00%	0.60	-581,256	-226,044	69,815,304
Tokyo	8.80%	1.90	4,520,880	2,074,613	32,638,283
Taipei	9.73%	7.33	-8,864	-64,365	9,967,188
Seoul	2.64%	-0.46	232,000	126,175	25,749,907
Bangkok	19.30%	-0.46	52,463	64,560	13,745,717
Jakarta	16.28%	-0.49	798,688	161,349	30,855,870
New Delhi	10.93%	-1.57	12,500	25,000	2,195,000
Mumbai	27.00%	-1.00	-44,000	24,500	2,300,000
Bangalore	35.33%	-2.41	271,325	299,234	4,680,719
Manila	23.60%	-3.20	373,034	229,599	7,173,732

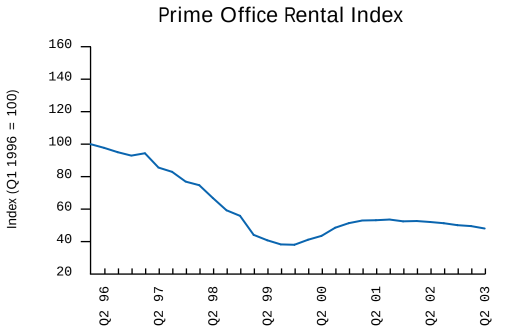
** Singapore figures are stated on an islandwide basis.*

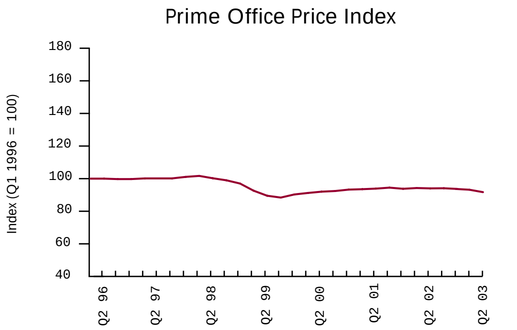
Market Indicators, Changes From Previous Quarter

Prime monthly rental	↓	Net Take-up	↓
Prime capital value	↓	Vacancy Rate	↑









SUPPLY

Two quality office buildings, namely, E-wing Tower and Cyber Tower Phase Two, were completed in Haidian district in the second quarter, providing a total of 810,500 sq ft of office space. With these completions, total new supply in the first half of 2003 rose to a massive 3.29 million sq ft.

Beijing is currently facing the prospect of growing oversupply of prime office facilities, especially in the three major areas where the municipal government has laid down blueprints for developing new CBD areas, namely the Jianguomenwai CBD, Finance Street and Zhongguancun areas. These three areas will remain the main focal point of development activity over the next two years. There are potentially 35-40 buildings in these three areas that are due for completion over the coming two and a half years. If all of these buildings are completed according to schedule, they would provide the market with over 31 million sq ft of new office space within this time frame.

TAKE-UP & VACANCY

Activity in the office leasing market slowed in the second quarter, largely due to the SARS outbreak. Some MNCs deferred their relocation and expansion plans while others postponed setting up new offices. Demand for office space in the second quarter mainly came from domestic companies in the IT and finance sectors. Unlike the first quarter, when the majority of office leasing transactions occurred in the western city area, major leasing transactions in the second quarter were fairly evenly scattered in properties situated throughout Chaoyang, Xicheng and Haidian districts. In a direct reflection of the impact of SARS on Beijing office occupiers, office take-up declined by almost 79 per cent, q-o-q, to 472,500 sq ft in the period from April to June. Similarly mirroring the contraction in corporate leasing activity, prime office vacancy rate rose from 16.9 per cent in March to 17.3 per cent in June.

RENTAL & CAPITAL VALUES

Due to sudden slackening in demand, landlords of office buildings with larger pockets of vacant space adopted a more concessionary stance with respect to negotiating leasing transactions, resulting in average prime rent dropping by 2.5 per cent to US$1.83 psf (gross exclusive) per month in the second quarter of 2003. Within the same time frame, average capital value of prime office properties also registered a decline, dropping by 1.6 per cent, q-o-q, to US$258.26 psf.

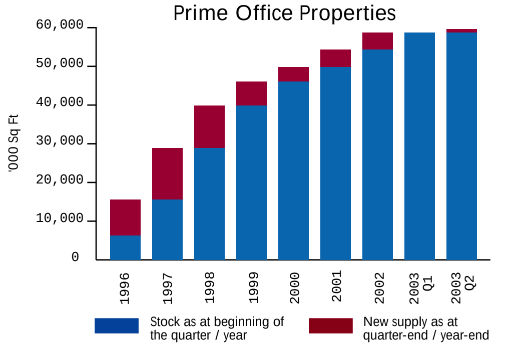
FORECAST

The outbreak of SARS caused a sharp dip in office demand in the second quarter. However, following the winding down of the SARS crisis in late June, office leasing activity began to pick up with remarkable speed. As confidence rapidly began to recover, demand for office space is expected to return to the level recorded prior to the SARS outbreak over the next six months. Notwithstanding this fact, the Beijing market is clearly faced with a clear imbalance between supply and demand, and this situation is likely to be further exacerbated by the completion of 5.92 million sq ft of office space over the next six months. As the imbalance between supply and demand grows increasingly severe, there is a strong likelihood that landlords will be forced to adopt a correspondingly more concessionary stance in negotiating terms for leasing transactions.

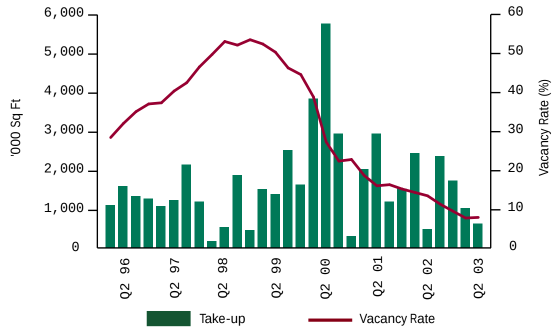
Market Indicators, Changes From Previous Quarter

Prime monthly rental	↑	Net Take-up	↓
Prime capital value	↑	Vacancy Rate	↑

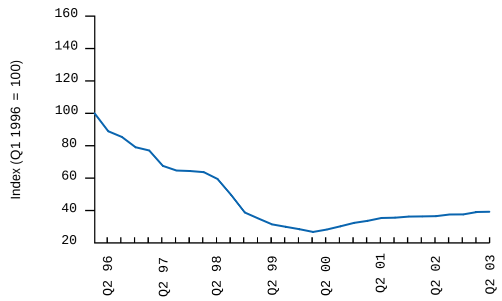
Cumulative Stock and New Supply of Prime Office Properties



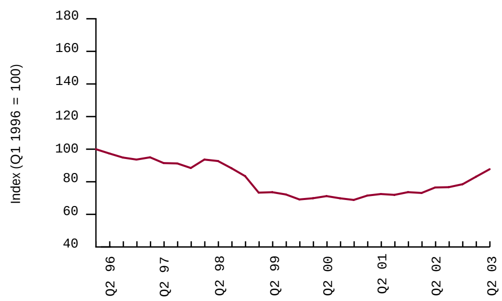
Take-up and Vacancy of Prime Office Properties



Prime Office Rental Index



Prime Office Price Index



SUPPLY

During the second quarter of 2003, two new office properties came on stream in Shanghai, namely the Hai Tong Security Building and Pan Pacific Building, both of which are situated in Puxi. Collectively, these two properties provide a total office gross floor area of 796,500 sq ft. As a result of this fairly brisk pace of completion, total prime office stock in Shanghai as of mid-2003 increased to 58.75 million sq ft. Two additional new office buildings are scheduled for completion in the next six months, namely the Aurora Plaza and Raffles City, providing another 1.79 million sq ft of new office space to the prime office market.

TAKE-UP & VACANCY

During the period of the SARS outbreak, some companies deferred their relocation plans and others postponed setting up of new offices, due to the difficulty of travelling to Shanghai while the quarantine measures were still in place. However, there were still some companies which chose to proceed with their relocation plans. Completion of this sizeable stock of high quality new office facilities actually served to stimulate demand, take-up of prime office space in the second quarter having been recorded at 639,700 sq ft. Nevertheless, despite this stimulating effect, the market was still unable to absorb such a sizeable amount of new supply within a three-month period. As a result, vacancy level rose by 0.2 percentage points to be recorded at 8 per cent by the end of the second quarter.

RENTAL & CAPITAL VALUES

In the second quarter of 2003, the average rental value of prime office properties in Shanghai was recorded at US$1.97 psf per month, representing a q-o-q rise of 0.4 per cent and a y-o-y rise of 7.4 per cent. Because of the positive prevailing sentiment in the leasing market, some developers in Puxi started to offer their office projects for sale on a strata-title basis. Within the quarter, the two new office properties completed in Puxi were both put up for sale. Since both properties were offered at a price which was generally higher than average, their commencement of sales offering effectively served to boost the average price of Puxi office properties by 6.2 per cent. Meanwhile, capital values for office properties in Pudong remained unchanged within the quarter. In Shanghai overall, capital values registered an increase of 5.5 per cent, q-o-q, to be recorded at US$210.52 psf in June 2003.

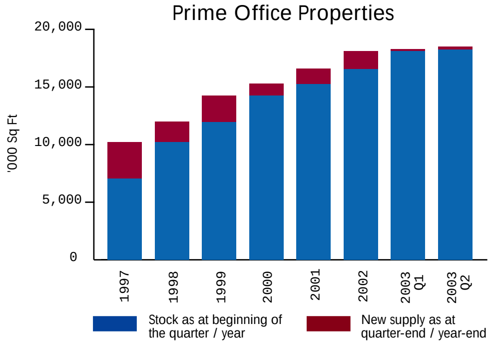
FORECAST

As a result of the successful control of SARS outbreak in Shanghai, the city was the least affected amongst the three major commercial centers in the PRC. It is projected that take-up over the next six months will remain at a high level. With only two new office buildings slated to come on stream in the latter half of the present year, it is also anticipated that vacancy level will drop slightly. The municipal government has recently announced that due to success in controlling the SARS outbreak, GDP growth for the year is still forecast to remain at the double digit level. Meanwhile we have witnessed that Shanghai prime office rental growth has showed signs of slowing down recently. However, due to the recent strength of occupational demand as well as the strong economic growth which is forecast for the next six months, we anticipate that rentals will continue to rise slightly.

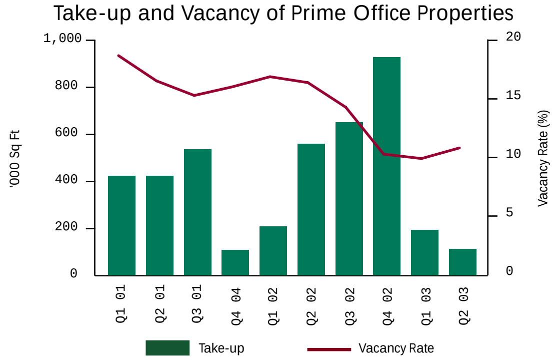
Market Indicators, Changes From Previous Quarter

Prime monthly rental	↓	Net Take-up	↓
Prime capital value	↓	Vacancy Rate	↑

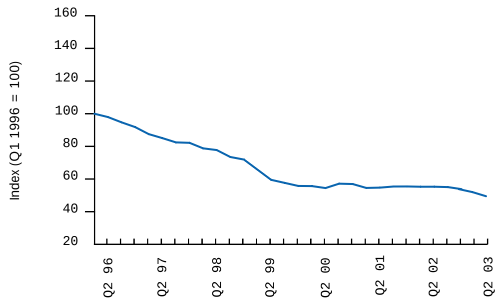
Cumulative Stock and New Supply of Prime Office Properties



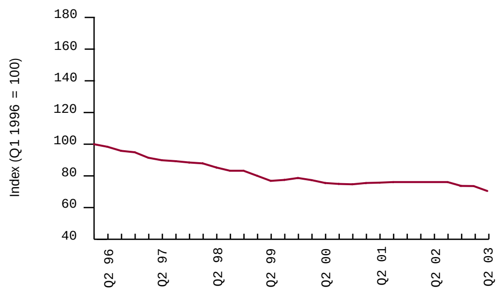
Take-up and Vacancy of Prime Office Properties



Prime Office Rental Index



Prime Office Price Index



SUPPLY

Due to restrictions imposed on release of development sites for office buildings in the past two years, the amount of new supply coming onto the market began to level off in early 2003. The government laid down guidelines urging the completion of unfinished projects, resulting in a situation in which new office supply which came on stream in the first half of 2003 comprised mainly projects that had been suspended in the past. New Sun Commercial Building in Yuexiu district, which came on stream in the second quarter, is an example of this phenomenon. This property, together with Xin Yu Mansion in Dongshan district, collectively provided Guangzhou with a total of 228,700 sq ft of new office facilities within the quarter. Although new supply has been limited in the past two quarters, vacancy rate in Guangzhou continued to rise due to the fact that demand for prime office facilities remained flat. Take-up in the second quarter was mainly generated by tenants' relocation from prime office properties completed prior to 1997 to newly completed office buildings featuring better facilities.

TAKE-UP & VACANCY

The outbreak of SARS had a severe impact on the office leasing market in the second quarter. Take-up dropped by 43 per cent, q-o-q, to 110,868 sq ft, as a number of overseas investors temporarily withheld their plans to expand their office space or establish new offices in Guangzhou. The proliferation of residential blocks repackaged to become office-cum-residential buildings has affected demand for pure office buildings. Many medium-small enterprises have bought these office-cum-residential units and utilize them as their offices. It is expected that this trend will continue to negatively impact on the office leasing market over the short-term. Despite limited new supply, vacancy rate increased by 1 percentage point to 10.8 per cent in the second quarter.

RENTAL & CAPITAL VALUES

Impacted by the SARS outbreak, the Guangzhou office market recorded negative growth in both its rental and capital values. The average monthly rent for prime offices dropped 4.9 per cent, q-o-q, to US$0.97 psf in the second quarter of 2003. Within the same time frame, capital values dropped 4.2 per cent to US$172.43 psf as compared with US$179.95 psf in the first quarter. The fact that the SARS outbreak was brought under control within the second quarter has revitalized hopes for developers, many of whom regard the slight correction in rents and prices as a normal market reaction to the temporary drop in demand.

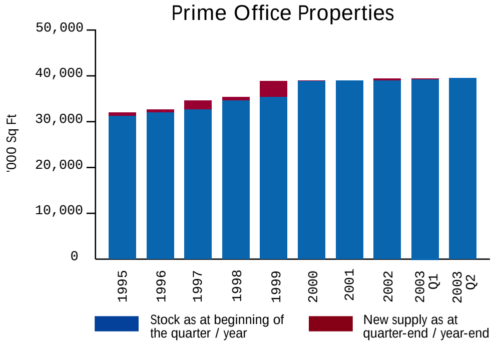
FORECAST

Notwithstanding the substantial impact which the SARS outbreak had on Guangzhou, the city's GDP growth rate was recorded at over 10 per cent in the first half of 2003. Despite the disruption caused by SARS, major regional and multinational corporations with operations in Guangzhou have not abandoned their commitment to the city. The fact that only a moderate drop was recorded in both rents and prices during the second quarter when the SARS outbreak peaked in Guangzhou implies that fundamentals for the office leasing market remain strong. It is expected that take-up in the latter half of the year will improve substantially, especially as there are two large-scale office developments scheduled for completion in Tianhe, providing a total of more than one million sq ft of new office space.

Market Indicators, Changes From Previous Quarter

Prime monthly rental	↓	Net Take-up	↓
Prime capital value	↓	Vacancy Rate	↑

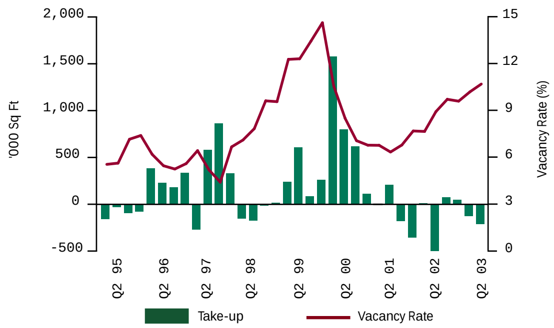
Cumulative Stock and New Supply of Prime Office Properties



SUPPLY

With no completion of new office properties during the second quarter, the total stock of Grade A office space in prime areas remained at 39.5 million sq ft as of June 2003. Two International Finance Centre will be ready for occupation in July, providing a total of 1.52 million sq ft of office facilities. The Hong Kong SAR government has recently announced its intention to delay construction of its new US$630 million office complex at the Tamar site in Admiralty. Despite this postponement, the project is expected to come on stream by 2008.

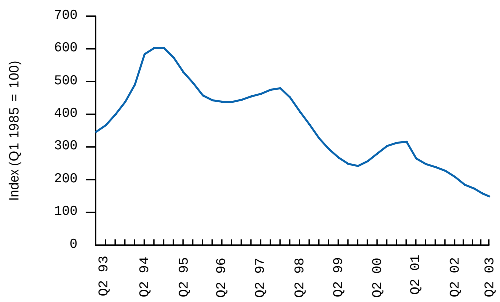
Take-up and Vacancy of Prime Office Properties



TAKE-UP & VACANCY

Following the severe disruption to corporate office leasing in April caused by the SARS outbreak, activity started to rise again in May and June. Nevertheless, confidence remains weak and relocation activity is still hindered by occupiers' lack of capex budgets. Take-up remained negative at 209,000 sq ft in the quarter. The majority of office leasing transactions ranged from 1,000 to 3,000 sq ft for fully fitted space but a number of lettings of between 10,000 and 15,000 sq ft were also recorded. Overall, vacancy rates in prime areas rose to 10.7 per cent in June from 10.2 per cent three months ago. As the rental gap between prime and decentralised areas narrowed further, more companies are considering to relocate from Hong Kong East and Kowloon to Core Central.

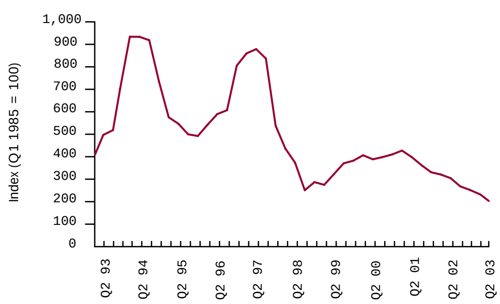
Prime Office Rental Index



RENTAL & CAPITAL VALUES

The fairly steep decline in rents witnessed during the previous quarter slowed in the second quarter, with average rent in prime office areas declining by 5.9 per cent to US$2.16 psf per month. The continued correction of prime office rents in the first half of 2003 was attributable to the weakening in office leasing sentiment which resulted from SARS. Grade A strata title office capital values fell by 12.8 per cent to US$436 psf during the quarter. With more properties placed on the market, both local and overseas investors continued to actively search for quality properties with high yields in prime areas, seeking to capitalise on the low interest rate environment. One of the major transactions of the quarter involved Morgan Stanley and its local partner, Pamfleet, purchasing Vicwood Plaza in Sheung Wan for US$108.10 million.

Prime Office Price Index



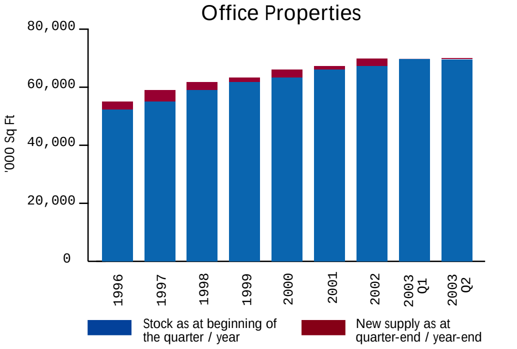
FORECAST

There are currently a number of large leasing transactions which reached an advanced stage of negotiation. Landlords may take a firmer stance on office rentals if these deals are concluded in the coming quarter. Under these conditions, rental levels may potentially plateau by the end of the year as vacant floors in newly completed office properties are gradually filled. Overall, it is projected that office rents decline by 20 to 25 per cent for the whole year of 2003. Capital values, likewise, are expected to fall by a total of 22 per cent during the year. Given this continued correction in capital values, prices have declined to a very low level, stimulating investors to seek high yield properties in prime locations.

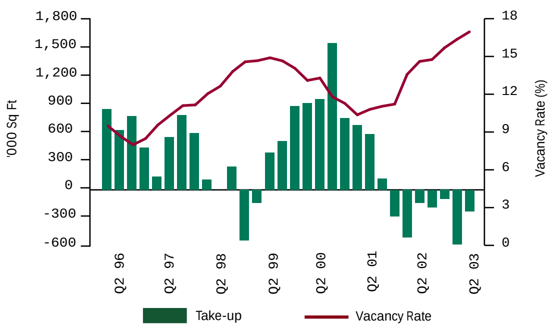
Market Indicators, Changes From Previous Quarter

Prime monthly rental	↓	Net Take-up	↑
Prime capital value	↓	Vacancy Rate	↑

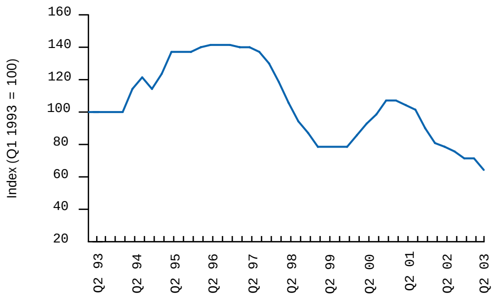
Islandwide Cumulative Stock and New Supply of Office Properties



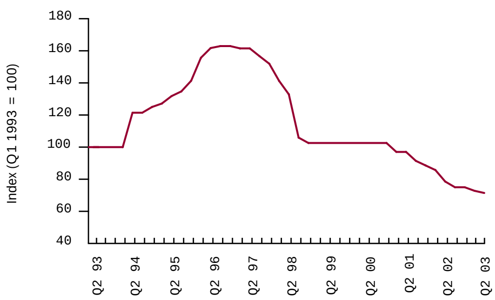
Islandwide Take-up and Vacancy of Office Properties



Prime Office Rental Index



Prime Office Price Index



SUPPLY

In the second quarter, the only new office supply was provided by a non-prime building situated outside the Raffles Place area. Total net floor area provided by the building amounts to about 78,000 sq ft. There is still a significant quantum of surplus office stock in the market, amounting to slightly more than 13 million sq ft, of which 1.5 million sq ft is shadow space. In the third quarter, no new construction completions are anticipated.

TAKE-UP & VACANCY

Leasing activity in the second quarter was restricted to lease renewals or relocation without significant expansion. Even though the market was inundated by an increased amount of vacant space made available at a low rental level, most corporate tenants remained uncommitted to taking up additional space, mainly due to lack of capital expenditure budget. We believe that demand contracted again in the second quarter. As a result, the islandwide vacancy rate rose to 17 per cent as at end-June, from 16.4 per cent by end-March. However, vacancy would be seen to stand at almost 19 per cent if shadow space were included.

RENTAL & CAPITAL VALUES

As at end-June, rents in prime office buildings in Raffles Place were at S$4.50 psf per month, 10 per cent lower than the rental levels recorded three months ago. The volume of investment activity continued to be thin with only a few strata-title sales recorded, as the short-term market outlook remains uncertain. We estimate that prime office capital values fell by about 1.9 per cent to US$1,000 psf in the second quarter. It should be noted that investors would generally expect initial yields of about 6 per cent, which is higher than the low yield calculated on the basis of average prime rent and average capital value. In terms of US Dollars, the average prime office rent fell by 9.4 per cent to US$2.57 psf per month and the average prime office capital value dropped by 1.2 per cent to US$569 psf from the previous quarter.

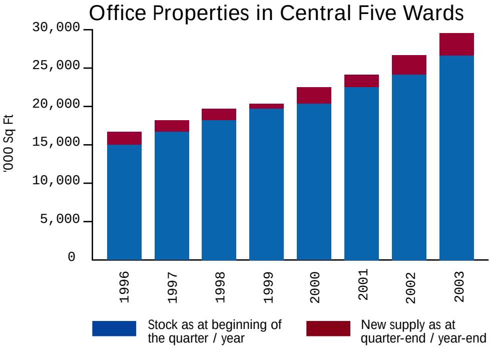
FORECAST

Going forward, while some companies may demonstrate renewed demand in the coming months, the positive impact of this will be partly counter-balanced by the continued restructuring and downsizing of companies in other industries. Potentially overall surplus supply may be reduced, which would serve to relieve further downward pressure on office rents. This said, the rally in the local stock market witnessed in June has served to improve sentiment in the property market somewhat, and this could further cushion the pressure on office rents. Current rentals have fallen by 54 per cent from their peak level in 1996 and have returned to levels recorded in the mid-1980s. Historically, performance of the office market has a strong correlation to economic growth. As soon as the economy witnesses strong and sustainable growth, demand in the office market improves correspondingly.

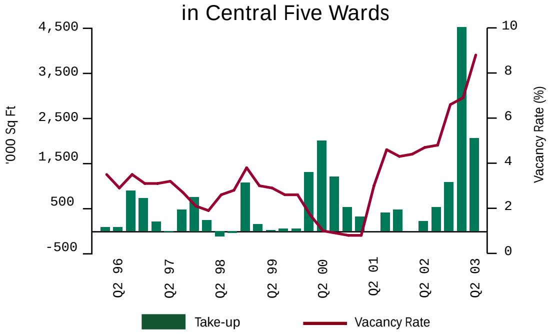
Market Indicators, Changes From Previous Quarter

Prime monthly rental	↓	Net Take-up	↓
Prime capital value	↓	Vacancy Rate	↑

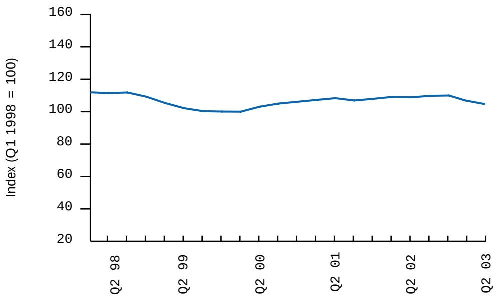
Cumulative Stock and New Supply of Class A Office Properties in Central Five Wards



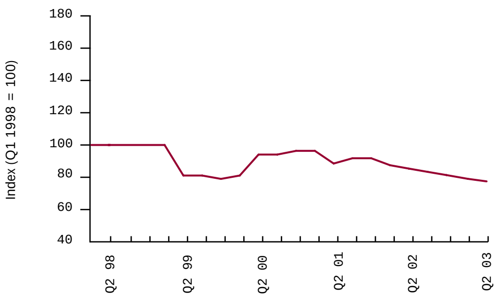
Take-up and Vacancy of Class A Office Properties in Central Five Wards



Prime Office Rental Index



Prime Office Price Index



SUPPLY

About 2.89 million sq ft of new Class A office supply came on stream in the Tokyo Central Five Wards office market in the second quarter of 2003. Although this was equivalent to about 60 per cent of the Class A supply that became available in the first quarter of 2003, it was nonetheless the second largest amount of new Class A supply on record. The amount of Class A stock in the Five Wards market has increased by about 30 per cent thus far in 2003 and now accounts for about 13 per cent of total office stock in the Central Five Wards. About 70 per cent of the quarter's new office space was provided by a single building, the Roppongi Hills in Minato Ward. The second half of the year will see a significant slow-down in new office completions as compared with the flood of new office space which became available in the first half year, as about 2 million sq ft of additional stock is to be completed before year-end.

TAKE-UP & VACANCY

Take-up in the second quarter was recorded at 2.06 million sq ft, or equivalent of 71 per cent of new supply and significantly lower than the 91 per cent take-up/new supply ratio seen in the first quarter. As a result, vacancies jumped to 8.8 per cent, an all-time record high. While most of this take-up was in Roppongi Hills, where the bulk of space was taken up by several international investment banks, vacancies in buildings completed during the past 12 months continued to fall. While demand for vacant space in slightly older Class A buildings is less keen than for facilities in brand new buildings, such buildings still remain relatively competitive in the market.

RENTAL & CAPITAL VALUES

The large amount of new supply coupled with the accelerating rate of deflation continued to put modest downward pressure on Class A office rents. Rents for Class A Otemachi / Marunouchi buildings in the city center fell by about 2 per cent to US$8.00 psf per month in the second quarter. Free rent concessions, typically two months in normal markets, have been offered for periods of up to six months in some new buildings, amounting to a sizeable hidden discount on asking face rents. Rents for existing premises continue to witness a modest downward revision on renewal, particularly in the case of two-year leases that were signed at the market peak in 2001. Sales transactions of Class A office properties remain an occasional and unpredictable event. However, we estimate that capitalization rates in prime Otemachi / Marunouchi buildings remain at approximately 4.5 per cent.

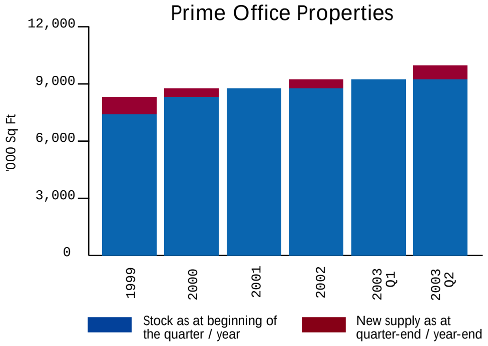
FORECAST

We anticipate that the current Class A vacancy rate of 8.8 per cent represents the peak in the present Tokyo Central Five Wards office cycle. The amount of new supply expected to come on stream in the latter half year coupled with relatively strong take-up supported by the low-level economic recovery will combine to drive Class A vacancies down to 6.5 per cent by year-end. We expect rents to firm in both new and existing Class A properties in the latter half of the year. The SARS epidemic, which caused significant disruption in some Asian office markets earlier in the year, had little discernable impact on the Tokyo office market.

Market Indicators, Changes From Previous Quarter

Prime monthly rental	↓	Net Take-up	↓
Prime capital value	↓	Vacancy Rate	↑

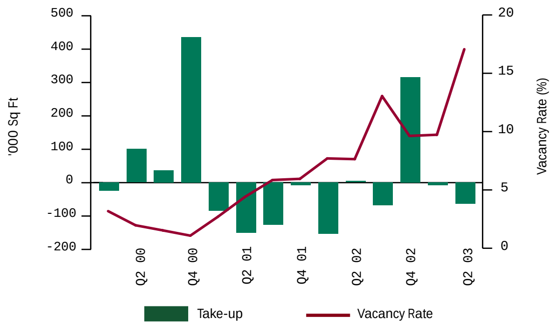
Cumulative Stock and New Supply of Prime Office Properties



SUPPLY

Cathay D5 Building and C.E.C. Tun Nan Building were the only office properties completed during the second quarter, adding approximately 739,000 sq ft of office space to overall stock in Taipei. The total supply of prime office in Taipei increased to 9.97 million sq ft as of the end of June 2003. With the addition of these two new buildings, Hsin Yi -Keelung district (HY-KL) now provides 3.57 million sq ft of prime office space, equivalent to 35.8 per cent of total prime stock, while Tun Hua S. - Jen Ai district (THS-JA) provides about 2.76 million sq ft of prime office stock, or equivalent to 27.6 per cent of total prime office floor. Following these completions, supply of prime office facilities is expected to remain flat over the next six months in central Taipei.

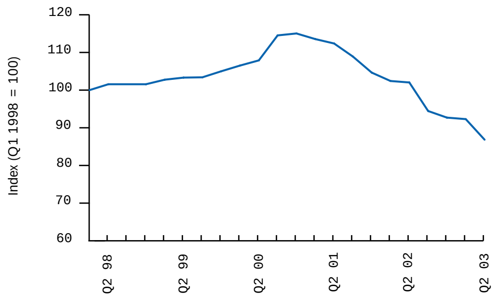
Take-up and Vacancy of Prime Office Properties



TAKE-UP & VACANCY

Due to the sizeable quantum of prime office completions in the second quarter, average vacancy rate for prime office buildings rose to 17.06 per cent, an increase of 7.3 percentage points, q-o-q. Meanwhile, negatively impacted by both the SARS outbreak and the sluggish economy, take-up of prime office space continued to contract in the second quarter, having been recorded at a negative 64,400 sq ft. However, some leasing activities were witnessed in the Hsin Yi Planned Area due both to the attractiveness of this more recently emerged business district as well as the quality of the new office properties recently completed in the area. Companies that have recently decided to take office premises in Hsin Yi area include Hewlett Packard Company Limited Taiwan Branch, UBS Warburg Securities Limited and Sanyo Semiconductor Taipei Corporation Limited.

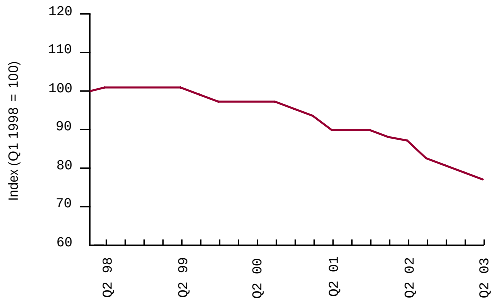
Prime Office Rental Index



RENTAL & CAPITAL VALUES

In the second quarter of 2003, average rental for prime office space was recorded at US$1.80 psf per month, or the equivalent of a fall of 5.9 per cent over the previous quarter. Within this time frame, prime office capital values also dropped to US$339 psf, a decline of 2.33 per cent, q-o-q, as excess supply continues to exert downward pressure on an already soft market. In addition, cheap rents being offered in Nankang Software Park in Taipei County have motivated many companies to give up space occupied in central city Grade A office buildings in favor of this area, further exacerbating the downward pressure on prime office rents.

Prime Office Price Index



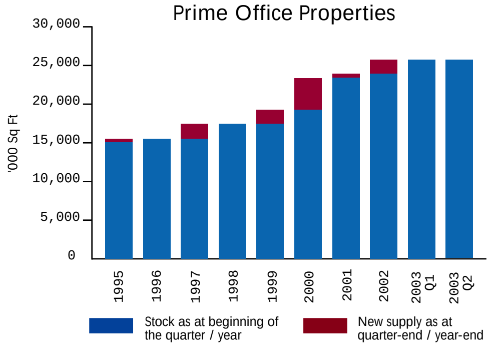
FORECAST

Although the SARS outbreak undermined business activity and weakened private consumption in the second quarter of 2003, its ultimate impact on the Taipei prime office market was fairly limited. Given the fact that the government has launched a number of major public projects designed to stimulate the economy, it is projected that Taiwan will experience mild economic recovery in the latter half of 2003. Notwithstanding this upturn, oversupply will continue to impact on the already soft central city office market. It is therefore projected that both rental levels and capital values will continue to display a consolidating trend.

Market Indicators, Changes From Previous Quarter

Prime monthly rental	↓	Net Take-up	↓
Prime capital value	↔	Vacancy Rate	↓

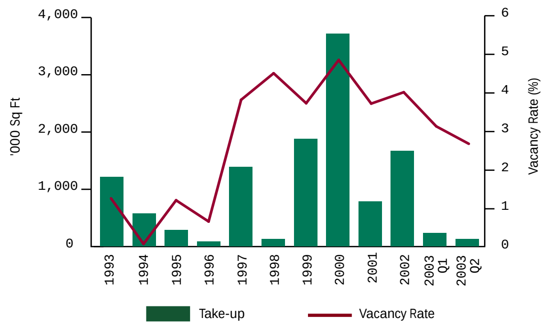
Cumulative Stock and New Supply of Prime Office Properties



SUPPLY

There were no new Grade A office buildings completed in the second quarter 2003. Cumulative Grade A office supply in the Seoul CBD remains at the level of 25.8 million sq ft, which is expected to increase to 26.21 million sq ft by year-end, as Namdaemun Daewoo (455,800 sq ft) is planned to be completed in the fourth quarter. The record low interest rate helped spark the sale of two strata-title office development projects in Gangnam, which were sold off-plan. The developer, Doosan, successfully launched its first strata-title development, the Doosan Landmark Tower (515,400 sq ft) in Gangnam, which was 100 per cent sold within six months of commencement of its pre-sale offering.

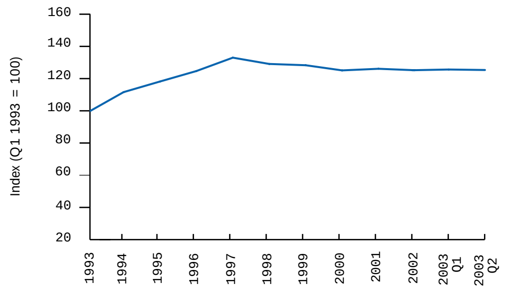
Take-up and Vacancy of Prime Office Properties



TAKE-UP & VACANCY

Overall Grade A office vacancy dropped slightly to 2.6 per cent in the second quarter of 2003. Overall CBD leasing activities remained subdued in the second quarter due to slower economic growth. Cumulative of Grade A office leasing transactions in second quarter amounted to approximately 78,300 sq ft, which was about 25 per cent of the quantum recorded in the previous quarter (excluding Korean Chamber of Commerce's relocation in the first quarter of 2003). We estimate leasing activities will gain some momentum in the second half of this year in light of the projected "U"-shaped economic recovery which is forecast to occur in the latter half of the present year.

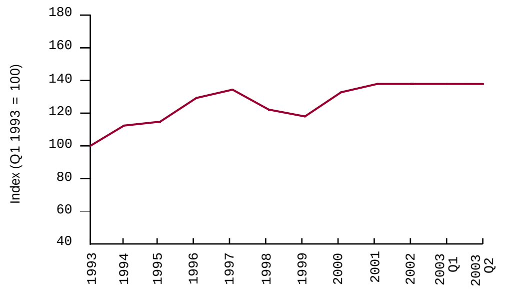
Prime Office Rental Index



RENTAL & CAPITAL VALUES

Seoul CBD Grade A net effective rent decreased by 0.25 per cent during the second quarter of 2003 to US$1.97 psf per month. This slight decline was caused by the downward adjustment in rent by one strata-title landlord in the KORAM Bank. Otherwise, CBD rents would have remained unchanged during the past three months. The continuing economic slowdown has meant that most landlords are keen on maintaining rents at their present levels rather than seeking escalation. We anticipate some rent increases in the latter half of 2003 as the economy regains momentum. Seoul CBD Grade A capital values remained stable at US$246 psf. In the second quarter of 2003, Eunseok Building (565,000 sq ft) a Grade B office building in fringe CBD, was sold to Rodamco at US$79.53 million, which represents an initial yield of 9.1 per cent.

Prime Office Price Index



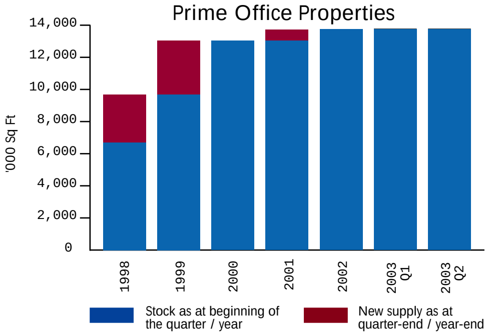
FORECAST

Corporate consolidation and relocation will continue to dominate leasing activities throughout 2003. Overall, the Seoul CBD vacancy rate is expected to decline slightly from 2.6 per cent to 2.5 per cent over the coming three months. Among with the "U"-shaped economic recovery which is forecast for South Korea, average vacancy rates should remain stable at around 3 per cent by the end of 2003. In light of recent changes in Korean economy, we have adjusted our forecast on the CBD office rental growth to 1 to 2 per cent by year-end 2003, down from 3 per cent forecast in the first quarter. Capital values of Grade A office properties in CBD are expected to remain stable throughout the remainder of the year.

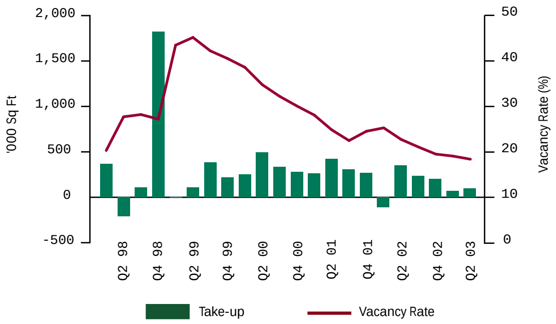
Market Indicators, Changes From Previous Quarter

Prime monthly rental	↑	Net Take-up	↓
Prime capital value	↔	Vacancy Rate	↓

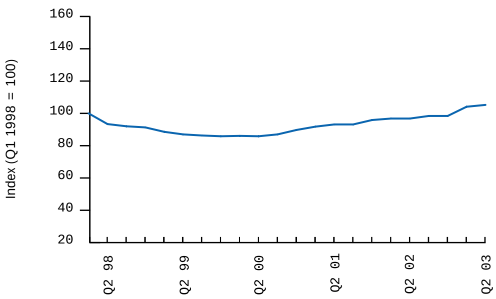
Cumulative Stock and New Supply of Prime Office Properties



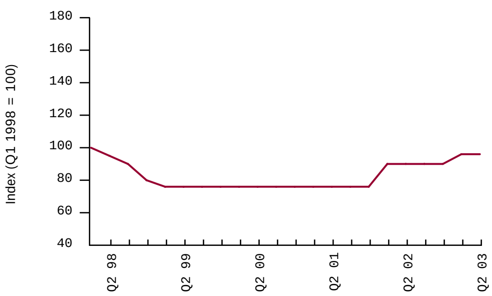
Take-up and Vacancy of Prime Office Properties



Prime Office Rental Index



Prime Office Price Index



SUPPLY

Total Grade A office supply in Bangkok remained unchanged at 13.75 million sq ft in the second quarter of 2003. The main office development activity at present comprises two previously stalled office projects which re-commenced construction in the first quarter, namely the 860,000-sq ft Central World Tower (formerly called World Trade Tower), which is scheduled for completion by year-end 2004, and the 390,000-sq ft Pornpat Tower, which is due to be finished in mid-2004. Other suspended projects may re-start construction within the next 12 months. The continuing growth in rents and occupancy levels and the improving economic and business climate in Thailand will encourage some developers to complete construction of some stalled projects that are in good locations, with strong market potential. Suspended office developments can be completed within 12-24 months, a shorter time when compared to building a new office project, allowing developers to capture the demand in the current rising wave of the office property market cycle.

TAKE-UP & VACANCY

The total take-up of Grade A office buildings in Bangkok amounted to 11.2 million sq ft in the second quarter of 2003, resulting in vacancy rate declining by 0.7 percentage points to 18.5 per cent. The largest transactions during the quarter all involved the expansion of finance and IT-related CBD office occupiers. Despite the slightly improved occupancy rate, net take-up in the first half of 2003 decreased by over 30 per cent, y-o-y, reflecting the fact that some companies have become more reluctant to relocate to Grade A office premises due to the persistent rise in rent over the past two quarters. Some companies prefer to move to Grade B+ premises where average rents are 20 per cent lower than in the Grade A office buildings. Notwithstanding this fact, the vacancy level is anticipated to decline to 17.8 per cent by year-end 2003 as demand continues to grow and supply remains limited. Demand is expected to come from manufacturing and services companies, as well as those in the insurance and IT-related sectors. Some government offices and pharmaceutical companies are also set to relocate in the second half of 2003 thereby contributing to the growth in demand.

RENTAL & CAPITAL VALUES

The combination of slower growth in supply, coupled with diminished growth in demand has resulted in rents increasing only slightly for the best office premises. Prime rents in the CBD averaged US$1.02 psf per month, a rise of 3 per cent, q-o-q. Prime rents are expected to rise slightly in the next six months as growth in demand picks up and supply remains limited. Tenants now enjoy 2-3' months rent-free period compared to 3-6' months rent free obtainable a year ago. Landlords are also gradually increasing the margins by which rents may appreciate in instances where they are subject to capping on lease renewal. With the very limited number of sales transactions for office premises, we can only estimate the capital value of grade A offices in the Bangkok CBD based on the achievable yield. This is estimated at US$106.25 psf assuming an 11 per cent gross yield.

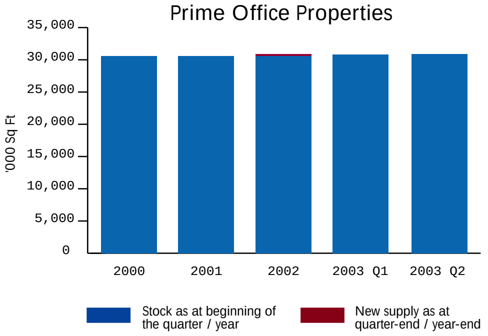
FORECAST

The Grade A office market is expected to be stable over the next six months. Take-up and rents are anticipated to increase, albeit at a slower rate as compared to six months earlier. As the economy grows, demand is expected to rise. The Grade A office market sentiment remains positive and there are a number of other stalled office development projects with good potential which may possibly re-start construction within the closing months of 2003.

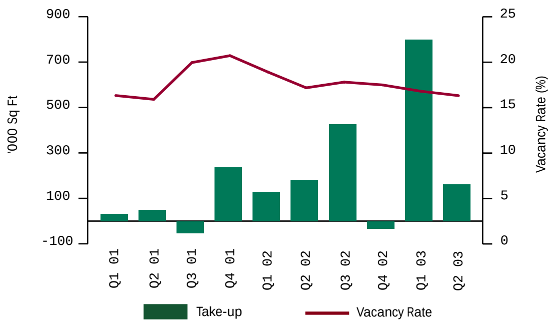
Market Indicators, Changes From Previous Quarter

Prime monthly rental	↑	Net Take-up	↓
Prime capital value	↑	Vacancy Rate	↓

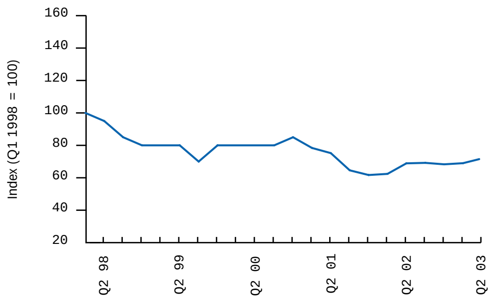
Cumulative Stock and New Supply of Prime Office Properties



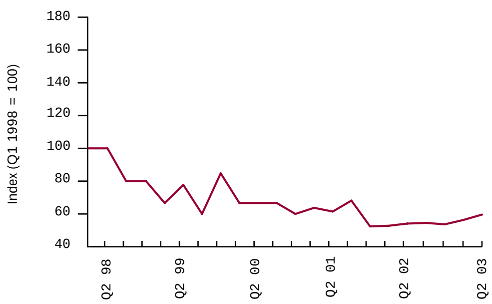
Take-up and Vacancy of Prime Office Properties



Prime Office Rental Index



Prime Office Price Index



SUPPLY

Supply of prime office facilities during the second quarter of 2003 remained flat, with no completions in the Jakarta CBD area. The present total stock of Grade A office facilities remains at an approximate 31 million sq ft. Wisma Mulia, situated in the Gatot Subroto District, is scheduled for completion in the third quarter and will provide an additional 1.4 million sq ft of prime office space to the Jakarta office market.

TAKE-UP & VACANCY

Take up for office space during the second quarter recorded a sharp decrease, dropping from 798,700 sq ft in the first quarter to 161,300 sq ft in the second quarter. This slide in demand was primarily due to the fact that many large office tenants in the CBD renewed their tenancy agreement in the first quarter, causing a large spike in take-up in the first quarter followed by a much subdued second quarter. In the second quarter, most of the take-up was attributable to leasing activities of middle size local companies with office requirements ranging from 3,200 sq ft up to 5,500 sq ft. Despite the weakening demand, vacancy rate dropped slightly by 0.5 percentage points to be recorded at 16.3 per cent in this quarter. Corporate tenants in the financial sector were most active in undertaking office relocations, with some of the most notable moves being those of stock brokerage firms such as Panca Global Securities and Rimbadana Securities. Some multinational companies also relocated to new locations within the CBD district, including companies such as Thai Airways and Mastercard International.

RENTAL & CAPITAL VALUES

Average prime rental in the second quarter of 2003 increased by 3 per cent, q-o-q, to be recorded at US$0.67 psf per month. The primary reasons behind this slight rise in prime office rental were the increase in demand resulting from the influx of companies relocating from the suburban business parks to the CBD and also due to tenant movement within the CBD itself. The average capital value of prime office buildings in Jakarta was recorded at US$77.76 psf, representing a slight increase of 5.8 per cent, q-o-q.

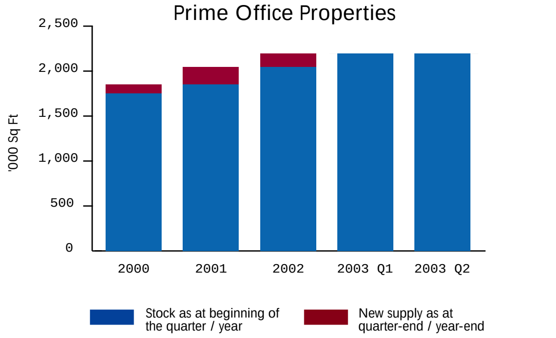
FORECAST

In the second quarter, the drop of the net take-up figure, accompanied by the only slight increase in rental value provides evidence that demand for new office space still remains weak. The relative weakness of the local economy and faltering business expectations have served to put a damper on any short-term prospect for economic recovery in Jakarta. However, the trend towards office relocation is motivated by the flight to cost savings. There is also trend on the part of some major holding companies such as Metrodata (IT providers) and Conoco Philips (multinational oil and gas company) to consolidate the operations of their subsidiary offices, formerly dispersed over several locations, into one larger premises. Corporate tenants in Jakarta are consolidating operations not merely for the purpose of increasing operational efficiency but also with the aim of providing their employees with a more secure working environment. In the following six months, demand for new office space is forecast to remain subdued, as escalating political tension on the run-up to the upcoming presidential elections and the threat of renewed terrorist attacks will encourage office occupiers in Jakarta to adopt a 'wait and see' attitude.

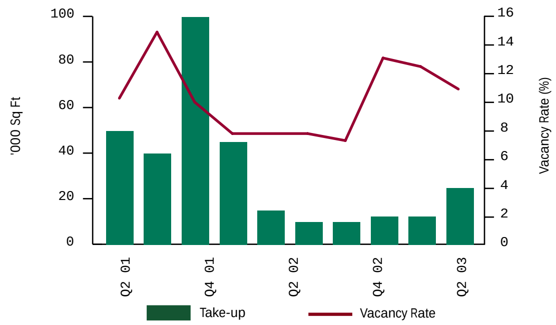
Market Indicators, Changes From Previous Quarter

Prime monthly rental	⇔	Net Take-up	↑
Prime capital value	↓	Vacancy Rate	↓

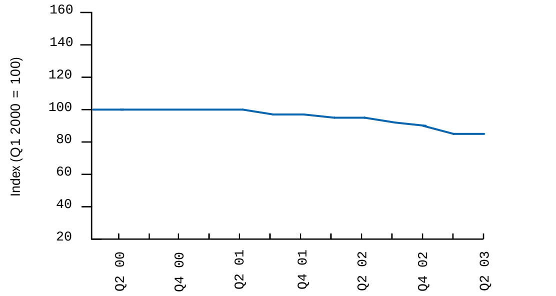
Cumulative Stock and New Supply of Prime Office Properties



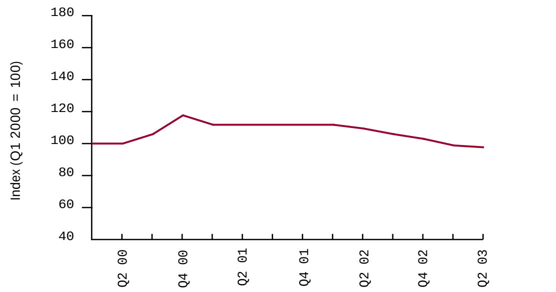
Take-up and Vacancy of Prime Office Properties



Prime Office Rental Index



Prime Office Price Index



SUPPLY

The second quarter of 2003 witnessed no new Grade A office projects being completed in New Delhi. This, in turn, resulted in a situation in which office occupiers continue to have limited options available to them. There has been an increasing incidence of relocation of tenants to high quality, high profile office space in the suburban areas of Gurgaon, primarily due to the availability of lower priced, large space alternatives. The rapid progress in the completion of Phase 1 of the Delhi Metro Rail may lead to a revival of flagging interest in the Connaught Road area, as the existence of this mass rail transit connection will favorably impact on the accessibility of this CBD area.

TAKE-UP & VACANCY

Leasing in the CBD of New Delhi, Connaught Place, witnessed negligible activity in the second quarter with only 25,000 sq ft transacted within this period. The average vacancy level dropped marginally by 1.6 percentage points to 10.9 per cent. Prominent transactions in the CBD included 2,500 sq ft leased by Bloomberg in PTI Building and 2,800 sq ft leased by Synctel in Statesman House. Gurgaon continues to be the favored destination for corporate relocations, acquisitions and expansion. Correspondingly, transactions in Gurgaon generally involve larger quantum of space than those in the traditional CBD area. A notable transaction was the leasing of 80,000 sq ft by Hewitt Associates in DLF Center Court. The difference in the quantum of space transacted substantiates the fact that corporates are currently displaying a preference for retaining their central city sales offices, whilst relocating their other operations to suburban areas. This is primarily due to the availability of high-grade office space as well as relatively low prevailing rental levels in these areas.

RENTAL & CAPITAL VALUES

Rental values have stabilized in the second quarter of 2003, averaging at US$1.82 psf per month. This is largely due to the fact that there has been negligible increase in demand, with supply remaining constant. Continued limited activity is expected to result in downward pressure on rental values. As regards capital values, a decline has been witnessed but gross yields have remained constant at 12 per cent. Gurgaon is similarly expected to witness downward pressure on rental values, resulting from the large quantum of supply which has recently become available in the market. Average rent in Grade A office buildings in Gurgaon in the second quarter remained stable at US$0.75 psf (Rs 35 psf) per month.

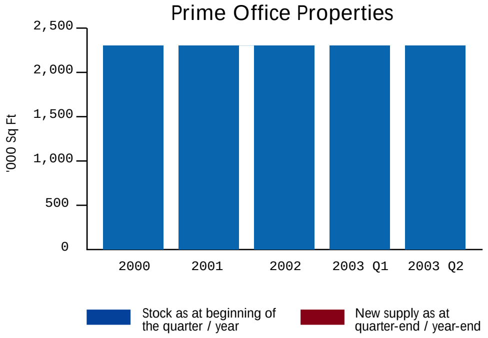
FORECAST

Given that there are no major projects scheduled for completion over the medium to short-term and the prospects of short-term increase in demand are unlikely, rental values will continue to remain flat. Typically, developers offer yields in correlation to the prevailing interest rates in the market to attract investors' interest. Along with the recent downward adjustment of interest rates, capital values are likely to witness a corresponding downward revision as well. Higher level of activity, as regards supply and take-up, will continue to be centered around the suburban micro-market of Gurgaon, this trend reflecting the by now well-established corporate preference for this area as a relocation destination.

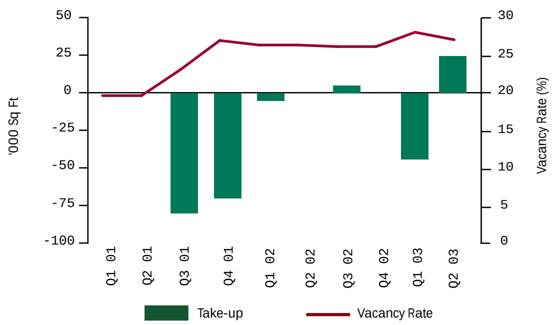
Market Indicators, Changes From Previous Quarter

Prime monthly rental	↓	Net Take-up	↑
Prime capital value	↓	Vacancy Rate	↓

Cumulative Stock and New Supply of Prime Office Properties

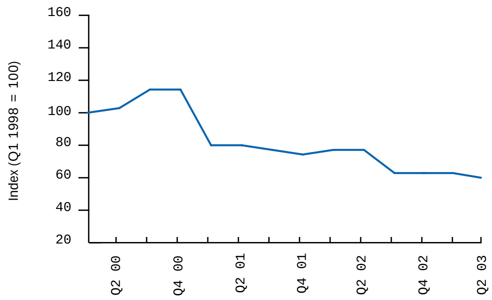


Take-up and Vacancy of Prime Office Properties

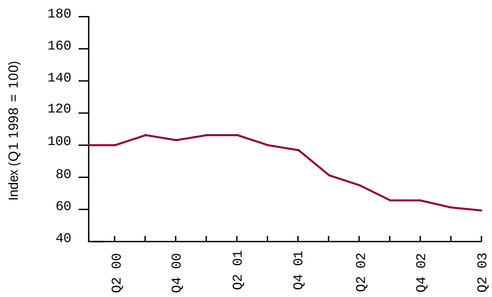


* *Take-up and vacancy data based on Nariman Point figures.*

Prime Office Rental Index



Prime Office Price Index



SUPPLY

Nariman Point witnessed no increase in total supply of prime office property in the second quarter. The quantum of prime office space in this established CBD area of Mumbai has remained constant at the level of 2.30 million sq ft in recent years with no new projects currently at the planning stage. This is primarily attributable to the dearth of vacant sites in the area along with the passage of legislation prohibiting new development activity here. Increase in supply of Grade A buildings over the past few quarters has consequently been restricted to emerging office markets in the suburban regions of Bandra Kurla, Andheri Kurla and Malad. The surge in development activity is accelerating the emergence of the BKC region as a business district in its own right. Additional supply of approximately one million sq ft is further expected to enter the suburban region market in the near future.

TAKE-UP & VACANCY

The continual northward movement of corporate occupiers in Mumbai prompted by either relocation or operational consolidation has had the effect of limiting demand for office space in the CBD. Some of the notable leasing transactions in the second quarter of 2003 included the leasing of 6,800 sq ft and 7,900 sq ft taken up by the Asset Reconstruction Company and JBF, respectively, in Express Towers and 2,280 sq ft taken by British Insurance in Free Press House. In response to this moderate level of take-up activity, vacancy levels dropped marginally by one percentage point to be recorded at 27 per cent. Within the same time frame, the new emerging office markets in Mumbai's suburban regions, however, witnessed a higher level of leasing activity leading to the occupation of significantly larger areas of office space. Some of the prominent transactions concluded in these new markets included the leasing of 40,000 sq ft by Apar Infotech and 50,000 sq ft by PWC at Shivaji Park, Central Mumbai. The primary demand driver behind this surge in new office leasing activity continues to be IT/ITES, financial services and insurance companies.

RENTAL & CAPITAL VALUES

The rents in the Mumbai CBD declined marginally from US$2.32 psf per month to US$2.25 psf per month over the past three months. The ongoing decline in the importance of Nariman Point coupled with the subdued level of demand for office facilities in this established CBD area has combined to place downward pressure on capital values, which recorded a 3.1 per cent decline in this quarter. Capital values of recently developed strata-title office properties in Bandra Kurla also came under downward pressure during the quarter, although in this second instance the correction was primarily due to the large quantum of existing strata-title supply and sizeable number of properties poised to be offered for pre-sale. Within the quarter, average capital value in Bandra Kurla declined by approximately 6.7 per cent to US$150 psf.

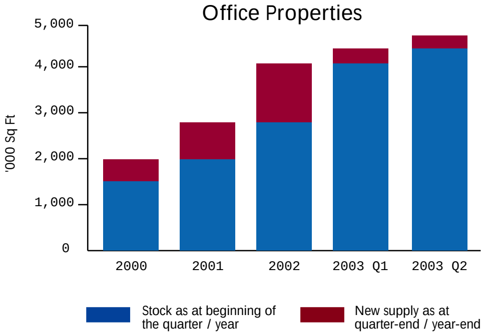
FORECAST

The past several quarters have witnessed a general rise in the level of office leasing activity in the suburban regions, with a large number of corporate occupiers relocating to these areas. This, in turn, has generated positive sentiment in these markets. Corresponding to this increased level of relocation to the suburbs and no new construction activity permitted in the CBD market, the Nariman Point CBD is expected to witness a marginal increase in vacancy levels, which will tend to result in a stabilization of rental values and a marginal decline of capital values over the short-term.

Market Indicators, Changes From Previous Quarter

Prime monthly rental	↓	Net Take-up	↑
Prime capital value	↔	Vacancy Rate	↓

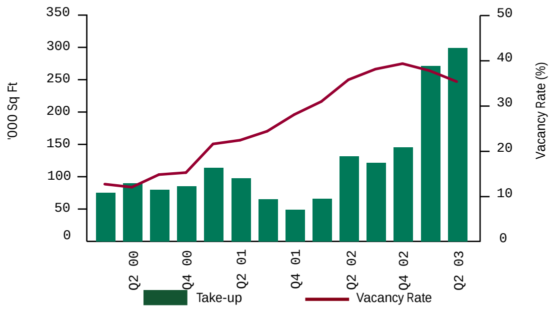
Cumulative Stock and New Supply of Office Properties



SUPPLY

In the second quarter of 2003, the total stock of Grade A office space in the CBD increased to 4.68 million sq ft due to completion of a number of new projects providing a total of 283,500 sq ft. Significant projects completed within this period include The Brigade Hulkul Centre and The Millennia, providing 68,600 sq ft and 150,000 sq ft of office space, respectively. Another significant commercial development completed in the second quarter was a property developed by the Prestige Group on Vittal Malaya Road, the Prestige Sigma, comprising approximately 48,700 sq ft of floor area. Overall, the Bangalore market continued to witness a high level of development activity, with a number of significant projects currently under construction and scheduled to come on stream over the next six months.

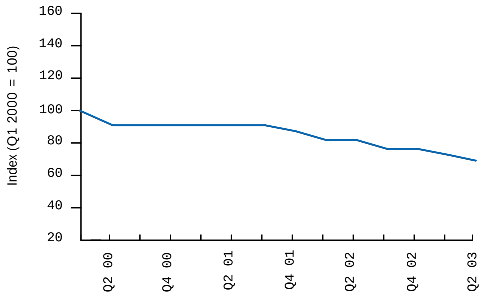
Take-up and Vacancy of Prime Office Properties



TAKE-UP & VACANCY

In the second quarter, the vacancy level in the CBD of Bangalore declined by 2.4 percentage points to be recorded at 35.3 per cent. This decline was due to the relatively strong take-up of Grade A office space, which was recorded at 300,000 sq ft during this period. The city's suburban and peripheral areas remain the preferred destination for large space occupiers and companies seeking to set up business operations in campus-style facilities. Notable transactions in the second quarter of 2003 included the leasing of 100,000 sq ft by Microsoft in Embassy Golf Links in Kormangala. In contrast, demand in the CBD area came primarily from start-up companies. Prominent transactions which occurred in the CBD included the lease of 24,800 sq ft by Artisan Components in Adarsh Opus on Victoria Road; 23,900 sq ft by Network Associates in its third phase of 'The Millenia' on Murphy Road and 80,000 sq ft by Symphony Services in Embassy Heights on Magrath Road.

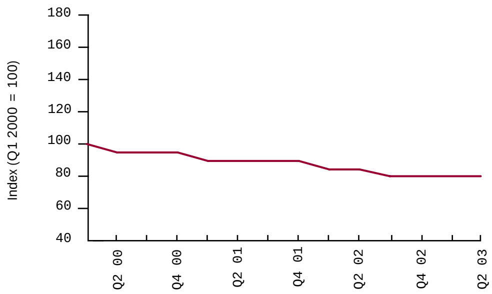
Prime Office Rental Index



RENTAL & CAPITAL VALUES

While the rising level of office leasing activity resulted in stable capital and rental values in year-end 2002 and early 2003, a slight decline in average rental level was recorded in the second quarter. Prime rents in the CBD averaged US$0.82 psf per month, a decline of 5 per cent over the previous quarter. By contrast, capital values remained stable at US$81.50 psf. Capital values and rental levels are expected to remain stable in the near future, with sufficient new supply slated for completion over the next two quarters to meet the prevailing high level of demand. Bangalore's suburban and peripheral areas are also expected to see similar stabilization in values, and this is expected to occur despite the sizeable quantum of new supply poised to come on stream over the latter half year.

Prime Office Price Index



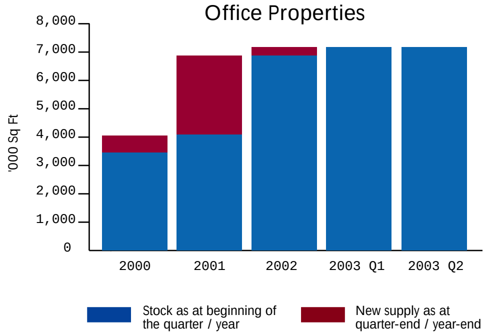
FORECAST

The rental and capital values of Grade A office properties in the CBD are expected to remain at the existing levels of US$0.82 psf and US$81.50 psf respectively, due to the steady supply and equally stable demand for high quality office facilities in the city. The proposed IT corridor along Sarjapur Ring Road has triggered interest on the part of both developers as well as prospective occupiers. A number of large, multi-national corporations, such as Intel and Hughes, have already purchased facilities in this area and set up operations. Future office related real estate activity is expected to be largely concentrated in the suburban and peripheral locations.

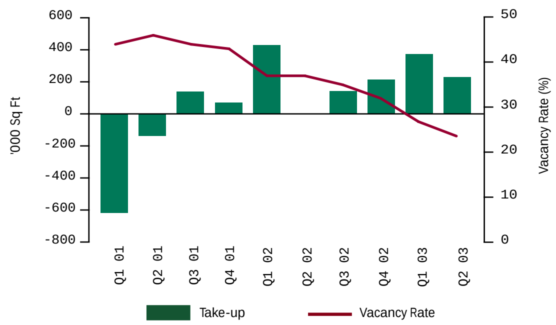
Market Indicators, Changes From Previous Quarter

Prime monthly rental	↓	Net Take-up	↓
Prime capital value	↔	Vacancy Rate	↓

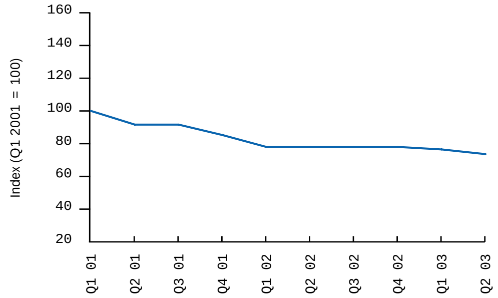
Cumulative Stock and New Supply of Office Properties



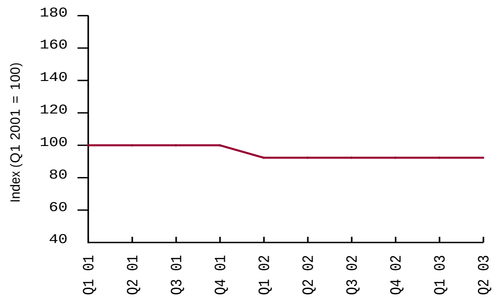
Take-up and Vacancy of Prime Office Properties



Prime Office Rental Index



Prime Office Price Index



SUPPLY

With the present pause in construction anticipated to extend well beyond the end of 2003, total prime office stock in the Makati CBD remained at slightly above 7 million sq ft in the second quarter. High vacancy as a result of overbuilding in the past years continues to discourage developers from making new forays into the development market. As office properties are now trading at an average discount of more than 30 per cent their peak value and as rents continue to slide, prospects for the launching of a new wave of office development activity remain slight. Moreover, developers are closely watching political developments as the election season is scheduled to commence within the next six months. Thus, we expect no new announcement of construction commencements to be made until after the conclusion of elections in mid-2004.

TAKE-UP & VACANCY

As total office stock remained static, vacancy fell further to 23.6 per cent within the quarter, a drop of 3.2 percentage points, q-o-q. This translates to a net take-up of 229,600 sq ft. While most of the major deals signed during the quarter were motivated by flight to quality on the part of traditional service sector firms, requirements of call centers and IT locators continue to provide important underpinning for office demand. Many of these centers have expansion plans which they intend to implement before year-end. Flight to quality and the prevailing low rents of prime office properties also continue to encourage relocation activity. For instance, major Canadian insurer Manulife reportedly committed to leasing close to 51,000 sq ft of prime office space in the CBD. Overall, as office stock remains flat, vacancy is projected to fall by 1 to 2 per cent during the third quarter.

RENTAL & CAPITAL VALUES

Prime rents in the CBD dropped by a further 4 per cent over the previous quarter. Rents currently average US$0.59 psf per month. Recently monitored deals also portend continued sluggish movement in rents as zero-per-cent escalation clauses for 1-3 years have become more common. Sales activity has remained very limited as transactions were primarily by companies with very small area requirements. Given these facts, we project that capital values will remain unchanged during the third quarter at US$104 psf. Resource constraints and capital spending limits encouraged companies to continue to lease rather than purchase office space for now. Moreover, developers have been reluctant to entertain purchase offers at current depressed prices. Reflecting the current sluggishness of the Manila leasing market, the only major deal concluded during the quarter comprised the relocation of Manulife into its new 51,000 sq ft headquarters in the LKG Tower along Ayala Avenue.

FORECAST

The threat of SARS and the economic uncertainty it caused abated by the end of second quarter. This, combined with the renewed wave of optimism which swept over Asia's economies as of mid-year, has raised the expectation that more companies will seek to revisit their expansion or relocation plans towards year-end. As vacancy is anticipated to fall further, we maintain our projection that rents will bottom out by year-end. As some buildings are about to hurdle the 80-per-cent occupancy threshold in the next six months, landlords may be expected to refrain from offering highly concessionary leasing terms in the short-term, and this will tend to stabilize average rents in the CBD. Vacancy in the next quarter will remain above the 20-per-cent level and prime rents will remain above US$0.55 psf per month on average. Take up of prime office space will continue to be sustained by traditional office occupiers, flight to quality moves and the expanding requirement of call centers and outsource service providers.

GRADE A OFFICE PROPERTIES

Modern office facilities with exceptional accessibility and a definite market presence along with high-quality standard finishes; state-of-the-art systems, flexible layout and large floor pates; effective central air-conditioning; good management and parking facilities are normally available.

TOTAL OCCUPANCY COST

Total occupancy costs reflects all costs of occupancy, which corresponds to "gross" rents in the market.

The total occupancy costs including base rent and other occupancy-rated expenses such as service charge/management fee, property taxes and deposits. This is quoted in U.S. dollars per square foot on a per month basis.

RENT - LOCAL CURRENCY / MEASURE

The rent quoted is usually the typical "achievable" rent for a unit in a Grade A office building in a prime location. Rents are expressed as headline rent, without accounting for any tenant incentives which may be necessary to achieve it.

Rents are stated in the local currency and prevailing unit of measure, as well as in those terms - gross or net - that are customarily employed in the respective market.

GROSS FLOOR AREA

Gross Floor Area shall include all areas contained within the external walls at each floor level and the whole thickness of the external walls.

In general, mechanical and electrical services rooms, refuse chambers and rooms, water tanks, car parking floors and all lifts and staircases passing through these floors shall be excluded from the Gross Floor Area calculation.

INTERNAL FLOOR AREA

Internal Floor Area shall be measured to the internal finish of structural, external and / or party walls. All common areas such as toilets, lift lobby, plant rooms, stairs and corridors are excluded.

LETTABLE AREA

Lettable Area of whole floor shall include toilets and lift lobbies but exclude common areas such as lift shafts, stairs, plant rooms and smoke lobbies.

Lettable Area for sub-divided units shall be the Saleable Area of that unit plus a proportionate share of the communal toilets, lift lobbies and passageways among sub-divided units on that floor.

SALEABLE AREA

Saleable Area of the unit is measured up to the centre line of the wall separating adjoining units. The full thickness of the walls separating the units from common areas, lift shafts, light wells, staircases, etc. are included.

NET FLOOR AREA

Net Floor Area refers shall exclude all common areas such as common corridors, stairs, lift lobbies, toilets and plant room. It shall be measured from the centre of the enclosing external and /or party walls.

TAKE-UP

Take-up figures represent the net increase in occupied floor space in the year. The figures are arrived at:

Take-up	=	New Completions
	+	Vacancy figures at the beginning of year
	–	Demolition
	–	Vacancy figures at year-end

LEASING PRACTICES IN ASIAN OFFICE MARKETS

PRC – *BEIJING, SHANGHAI & GUANGZHOU*
Office rents in these three cities are quoted in US$ per square metre per month, excluding management fees/service charges as well as incentives offered by the landlord.

In Beijing, Shanghai and Guangzhou rents and prices are quoted in terms of gross floor area.

HONG KONG – *HONG KONG*
In the general market, rents are quoted in HK$ per square foot per month either on net, lettable or gross basis, excluding management fees, taxes, government rents and incentives. For the purpose of publication, rental figures provided in this report are based on net floor area. Prices are quoted in per square foot on gross basis.

SINGAPORE – *SINGAPORE*
Rents and prices are quoted in S$ per square foot, on net floor area basis.

JAPAN – *TOKYO*
The market covered in this publication refers to the Central Five Wards of Tokyo. Rents in Tokyo office market are asking rent quoted by landlord to brokers or the public. The rents are quoted in local currency per tsubo per month and are calculated on internal floor basis. One "tsubo" is equal to approximately 3.3 square metres (i.e. 35.6 square feet), which is equivalent to two tatamis. Service charges are referred to as "common area maintenance fees" and they are usually paid in addition to the base rent.

TAIWAN – *TAIPEI*
Local unit of measurement is "ping", the same as "tsubo", which is equivalent to 3.3 square metres. Rents and prices are quoted in local currency on net and gross floor area basis, respectively.

SOUTH KOREA – *SEOUL*
Rents are quoted in Won per pyung per month, measured on net floor area basis. "Pyung", which is the same as "tsubo" and "ping", is equivalent to 3.3 square metres. The typical efficiency of Grade A office buildings is around 65 per cent. Usually, a substantial rental deposit is payable at the commencement of the lease and this may impact on the effective rent.

INDIA – *NEW DELHI, MUMBAI & BANGALORE*
The market practices in these three cities are generally the same. The efficiency rate of Grade A office properties in India is around 75 per cent. Rents are quoted on gross floor area basis, in Rupees per square foot per month, exclusive of service charges.

INDONESIA – *JAKARTA*
Rents are quoted on lettable floor area basis, in US$ per square metre per month, excluding monthly service charges and government taxes. Prices are quoted on saleable floor area basis.

PHILIPPINES – *MANILA*
Rents are quoted in Peso per square metre per month on lettable area basis. Prices are based on saleable floor area.

THAILAND – *BANGKOK*
Rents are quoted in Baht per square metre per month on internal floor area basis, including service charges and taxes. Prices are also quoted on internal floor area basis in local currency.

CBRE DEFINITION OF PRIME OFFICE MARKETS IN ASIAN REGION

BEIJING - Prime office properties in Beijing are concentrated in four main districts, comprising the Jianguomenwai CBD in Chaoyang; Wangfujing/Chang'an East Avenue in Dongcheng; Zhongguancun in Haidian and the Fuchengmenwai/Fuxingmen Finance Street areas in Xicheng.

SHANGHAI - Prime office properties are found in both Puxi and Pudong areas. In Puxi, prime office properties are concentrated in the Huangpu, Jingan and Luwan districts along Nanjing West Road and Huai Hai Middle Road. In Pudong, prime office properties are mainly clustered in Lujiazui, Shanghai Commercial City and Zhuyuan Commercial and Trade Zone.

HONG KONG - Prime office districts in Hong Kong are situated along both sides of Victoria Harbour, comprising Central, Wan Chai, Causeway Bay and Tsim Sha Tsui.

GUANGZHOU - Prime office properties in Guangzhou are concentrated in the Dongshan, Yuexiu, Luwan and Tianhe districts where they are clustered along Huanshi East Road, Tianhe East Road, Tianhe North Road and Zhongshan First Road.

SINGAPORE - Singapore comprises an islandwide office market of which 90 per cent of office space is located in the Central Region, with the remaining located in the city's outlying regional centers.

TOKYO - The Central Five Wards, where the majority of prime office property in Tokyo is located, are collectively referred to as the central business district of Tokyo, comprising Chiyoda-Ku, Chuo-Ku, Minato-Ku, Shinjuku-Ku and Shibuya-Ku.

TAIPEI - In Taipei, prime office sub-markets are situated in areas near the Taipei Railway Station (TMS), along Chung Chan North Road (CSN), and in Nanking-Sung Chiang (NK-SC), Min Sheng-Tun Hwa North (MS-THN) and Hsin Yi-Keelung areas (HY-KL) in central Taipei City.

SEOUL - The CBD in Chung Gu is one the three major office districts in Seoul.

BANGKOK - The core central business district in Bangkok incorporates the Silom, Sathorn and Lumpini sum-markets.

JAKARTA - The central business district, namely Jakarta's Golden Triangle, comprises five major sub-markets, including Jl. MH Thamrin, North Jl. Jend. Sudirman, South Jl. Jend. Sudirman, Jl. HR Rasuna Said and Jl. Gatot Soebroto.

NEW DELHI - Central New Delhi CBD area comprises all commercial developments in and around Connaught Place.

BANGALORE - The Bangalore CBD refers to the City of Bangalore which comprises MG Road and its immediate environs including Residency Road, Richmond Road, Ulsoor, St. Marks Road and K.B. Road.

MUMBAI - The traditional office sub-markets are situated in South Mumbai around Nariman Point and Ballard Estate, but new office sub-market areas are emerging in Bandra Kurla Complex, Malard and Andheri.

MANILA - The central business district in Manila is Makatai, which is one of the two major business sub-districts in Manila.

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Headquartered in Los Angeles, CB Richard Ellis is the largest real estate services company in the world. With approximately 9,500 employees, the company serves real estate owners, investors and occupiers throughout more than 250 offices in 47 countries. The company's core services portfolio includes property sales, leasing and management, corporate services, facilities and project management, mortgage banking, investment management, capital markets, appraisal and valuation, research and consulting. The Company reported net revenues of US$1.17 billion in 2002. For more information about CB Richard Ellis, visit the company's web site at www.cbre.com.

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