



## ASIAN INVESTMENT MARKET FLASH

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## ASIAN STOCK MARKETS

	AS AT 29-SEPT-06	3-MONTH CHANGE (SINCE 30-JUNE-06)
India	12,454.42 *	17.39%
Indonesia	1,534.61	17.12%
Japan	16,127.58	4.01%
Malaysia	967.55	5.78%
Philippines	2,542.69	16.70%
<b>PRC</b>		
Hong Kong	17,543.00	7.84%
Shanghai	1,752.42	4.80%
Shenzhen	4,326.78	0.58%
Singapore	2,568.86	7.63%
South Korea	1,371.41	5.89%
Taiwan	6,883.05	2.66%
Thailand	686.10	1.18%

\*The Bombay Stock Exchange is used as the benchmark index since it is considered to be more representative of the stock market conditions in India.

## SUMMARY OF ESTIMATED INITIAL YIELDS

City	Prime Office	Luxury Residential	Retail	Industrial
India				
New Delhi*	8.0-9.0%	4.0-4.5%	9.0-10.0%	n.a.
Mumbai*	10.5-12.0%	4.0-5.0%	11.0-12.0%	13.0-14.0%
Indonesia#	10.7%	11.0-13.0%	10.2%	9.2%
Japan#	3.0-3.5%	4.8-5.3%	3.5-4.0%	5.0-6.0%
Malaysia#	6.0-7.0%	7.0-8.0%	6.5-7.0%	n.a.
Philippines*	8.0-12.5%	7.5-11.5%	9.0-12.0%	6.0-8.0%
<b>PRC</b>				
Beijing*	7.0-8.0%	5.0-7.0%	9.0-10.0%	10.0-12.0%
Guangzhou*	8.0-9.0%	7.0-8.0%	7.0-10.0%	n.a.
Hong Kong*	4.4%	3.8%	4.4%	7.6%
Shanghai*	7.0-8.0%	6.0-7.0%	n.a.	9.0-11.0%
Singapore	4.7%	3.0%	5.6%	3.0%
South Korea*	7.0-7.5%	3.0-4.0%	7.0-9.0%	6.0-9.0%
Taiwan*	4.0-5.0%	3.0-4.0%	7.0%	7.0%
Thailand#	7.4%	5.4%	9.0%	8.0%

Reported initial yields for different cities are based on each city's market practice and can 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 net purchase price (i.e. purchase price excluding other costs of acquisition)

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

## TOP 10 INVESTMENT DEALS (JULY TO SEPTEMBER, 2006)

	City	District	Property	Sector	Approximate Transaction Value (US\$)
1	Tokyo	Chiyoda-ku	Pacific Century Place Marunouchi	Office	1,693,900,000
2	Tokyo	Minato-ku	Shiba Park Building	Office	1,211,100,000
3	Osaka	Chuo-ku	Twin 21*	Office	581,900,000
4	Singapore	Woodlands Yishun Alexandra	Causeway Point Northpoint Shopping Centre Anchorpoint Shopping Centre	Retail	575,600,000
5	Singapore	Orchard Havelock Road Tanjong Pagar Havelock Road	Orchard Hotel and a shopping arcade Grand Copthorne Waterfront Hotel M Hotel Copthorne King's Hotel	Hotel	532,300,000
6	Tokyo	Minato-ku	Akasaka Garden City (66.1% stake)	Office	507,300,000
7	Shanghai	Pudong	Hopson International Tower	Office	303,800,000
8	Shanghai	Jing'an	East Ocean Plaza Phase I	Office	246,800,000
9	Taipei	Neihu	Three industrial/office buildings	I/O	211,500,000
10	Osaka	Chuo-ku	Matsushita IMP Building	Office	208,400,000

\* Including the purchase of part of the land previously held as ground lease.

Transaction prices are reported according to the best of our knowledge but we do not guarantee their accuracy. Discrepancies may result due to rounding.

Institutional investors in Asia continued to display strong appetite for office properties in the third quarter of 2006, as seven of the region's top 10 investment deals, with a total combined value of around US\$4.75 billion, took place in the office sector. DaVinci Advisors' two deals in Tokyo topped CBRE's list. The local private real estate fund acquired Pacific Century Place Marunouchi (PCPM) in Chiyoda-ku and the Shiba Park Building in Minato-ku for a total of approximately US\$2.9 billion. Elsewhere in Japan, MID, a newly listed J-REIT, acquired two office properties in Osaka for a total of US\$790.3 million.

Despite the lack of major en bloc acquisitions of prime office properties, the Hong Kong market saw upbeat investment activity in the residential sector. Henderson Land purchased two residential blocks for a combined value of US\$105.9 million while 9A-9H Seymour Road was sold to Emperor Group for US\$51.3 million. In line with positive economic growth, Singapore's property investment market continued to experience buoyant levels of activity in the third quarter. The hotel sector posted its strongest performance in five years, and a US\$532.3 million transaction involving the transfer of four hotels and a shopping arcade was the second largest in Singapore during the quarter. In Seoul, the office market continued to witness strong investment interest. Merrill Lynch's purchase of the Daewon Building in the CBD for US\$50.7 million was the most notable transaction in the third quarter.

Despite the PRC Central Government's tightening of regulations governing property investment, prime properties in Beijing and Shanghai continued to attract overseas investors. The third quarter saw the sale of Beijing's Tianlun Dynasty Hotel and Tianlun Songhe Hotel to Sunrider, a US investor, for US\$126.6 million. Also in Beijing, Mountain Breeze (Barbados) SRL, a joint venture between Hong Kong's Shui On Construction and JP Morgan Chase, acquired the Hua Pu Building, a high-end office property due for completion at year-end 2007 for US\$139.2 million. In Shanghai, two large en bloc office transactions occurred in July; Morgan

Stanley acquired East Ocean Plaza while a subsidiary of Korea's Mirae Assets acquired Hopson International Tower. These transactions involved a total sum of US\$550.6 million. In Guangzhou, local developers continued to build land banks by aggressively bidding for sites in government land auctions, the most significant being the record-setting sale of the 1.5 million-sf Jinshazhou residential site in Baiyun District for US\$221.5 million. Meanwhile Taipei saw CLSA buy three under-construction industrial office buildings in Neihu for US\$211.5 million.

Kuala Lumpur's hotel investment market, like Singapore's, was especially active in the third quarter, with three notable hotels, The Westin, Novotel Hydro Majestic and Crown Princess, changing hands. Macquarie Global Property Advisors was the buyer of the Crown Princess. The Australian investor was also involved in two other major deals, purchasing the Empire Tower, an office building, and City Square, a retail property, for a combined value of US\$119.3 million.

Elsewhere in Asia, local developers continued to dominate the real estate sector in both Bangkok and Jakarta. Thailand's Erawan Group purchased sites in Bangkok, Phuket and Pattaya, while Indonesia's Bakrie Group has started construction of the large-scale, mixed-use Rasuna Epicentrum project in the Kuningan area of Jakarta. Pakuwon is redeveloping its mixed-use Kota Kasablanka project, also in Kuningan, while the Sinar Mas Group is building Phase 2 of Bumi Serpong Damai City in West Jakarta.

In India, high net worth individuals continued to drive most investment transactions in Delhi's NCR market, with average investment sizes totaling less than US\$500,000. Some overseas funds have started scouting opportunities, but the lack of projects of the size required for FDI compliance has inhibited major deals. In Mumbai, the real estate market has slowed in the past two quarters due to increases in interest rates. Transactions have normally been negotiated at initial yields of 10-11%, but the current interest rates of nearly 10.5% leave very little margin for investors.

Seller	Buyer	Local/ Foreign Buyer	Transaction Date
Pacific Century Group Japan	DaVinci Advisors	Local	September-06
Morgan Stanley Real Estate	DaVinci Advisors	Local	July-06
MID Urban Development Co Ltd	MID REIT	Local	August-06
Woodlands Complex Pte Ltd Yishun Development Pte Ltd Anchor Developments Pte Ltd	Frasers Centrepoint Trust (FCT)	Local	July-06
City Hotels Pte Ltd City Developments Ltd Harbour View Hotel Pte Ltd Republic Hotels & Resorts Ltd	CDL Hospitality Trusts (HBT & H-REIT)	Local	July-06
Sekisui House	Morgan Stanley Real Estate	Foreign	September-06
Hopson (50% equity) and Union Wise (50% equity)	Mirae Asset	Foreign	July-06
Shanghai Jingyu Real Estate (Greentown holds 49% equity)	Morgan Stanley	Foreign	July-06
Pronice Construction Company	CLSA	Foreign	August-06
MID Urban Development Co Ltd	MID REIT	Local	August-06

JAPAN

TOKYO

Vigorous investment activity continued throughout the third quarter of 2006 as Japan heralded its longest period of economic expansion in 14 years. Upbeat investors interpreted the Bank of Japan's July decision to end its 5-year zero interest rate policy and increase short-term interest rates to 25 basis points as the welcome indication of a return to normalised market conditions.

The quarter witnessed a sizeable number of prime property transactions amid bullish market sentiment over the prospect of capital and rental appreciation. DaVinci Advisors, a domestic private real estate fund, was particularly active, setting the market pace with two huge purchases: Pacific Century Place Marunouchi (PCPM) and Shiba Park Building, for a total of approximately JPY 343 billion. Our analysis of the PCPM

acquisition suggests the purchase was off a 3% NOI cap. rate, establishing a new benchmark yield for prime Tokyo offices and setting a record for the largest reported single property transaction by value in Japan.

This quarter also saw significant interest in the Osaka office market. Highlighting the trend was the listing of the MID J-REIT, with an initial portfolio almost 80% weighted towards Osaka, with a number of Grade A properties acquired at prices of between US\$200 to 600 million each. A considerable weight of foreign capital continued to permeate the property market through local entities, with transaction details undisclosed to the public. Morgan Stanley, the Lonestar Group, GE Real Estate and several Australian funds were amongst the most active behind-the-scenes foreign investors during the quarter.

**MAJOR TRANSACTION RECORDS (JULY TO SEPTEMBER, 2006)  
(WORTH OVER JPY 10 BILLION)**

EXCHANGE RATE: US\$1 = JPY 118.07

Sector	District	Property	Approximate Price	
			Local Currency (JPY)	US\$ Equivalent
Office	Chiyoda-ku, Tokyo	Pacific Century Place Marunouchi	200,000,000,000	1,693,900,000
Office	Minato-ku, Tokyo	Shiba Park Building	143,000,000,000	1,211,100,000
Office	Minato-ku, Tokyo	Akasaka Garden City (66.1% stake)	59,900,000,000	507,300,000
Office	Chuo-ku, Osaka	Twin 21*	68,700,000,000	581,900,000
Office	Chuo-ku, Osaka	Matsushita IMP Building	24,600,000,000	208,400,000

\* Including the purchase of part of the land previously held as ground lease.  
Transaction prices are reported according to the best of our knowledge but we do not guarantee their accuracy. Discrepancies may result due to rounding.

PEOPLE'S REPUBLIC OF CHINA

HONG KONG

Buoyed by signals from the Fed which suggested a calming of the US interest rate hike cycle, investor sentiment remained generally positive in the third quarter of 2006 as a clearer picture of the carrying costs of Hong Kong property emerged. While there were no major en bloc top-tier acquisitions of prime office properties as in the last quarter, the market saw upbeat strata-title activity, including the entire 20/F of Convention Plaza transacting at HK\$180 million (HK\$10,897 psf).

The luxury residential sector benefited from the rising local stock market which continued to test its all-time high, resulting in an increase in liquidity. Transactions of luxury properties within the quarter included the en bloc sale of No. 25 South Bay Close, which fetched HK\$370

million (HK\$8,400 psf). The houses located at 7 Pollock's Path, the Peak, and 37 Deep Water Bay Road, Island South, were sold for HK\$117 million (HK\$32,000 psf) and HK\$350 million (HK\$21,700 psf), respectively.

Meanwhile, the industrial sales market was relatively quiet in the third quarter. Interest in and demand for industrial properties persisted, but was hampered by investors' and end-users' opposition to the level of appreciation. Notable en bloc transactions included the acquisition of the Shibusawa (Hong Kong) Building in Tsuen Wan for a consideration of HK\$210 million (HK\$1,100 psf), and Hing Wai Ice & Cold Storage in Aberdeen, which was sold for HK\$70 million (HK\$350 psf).

**MAJOR TRANSACTION RECORDS (JULY TO SEPTEMBER, 2006)  
(WORTH OVER HK\$100 MILLION)**

EXCHANGE RATE: US\$1 = HK\$7.79

Sector	District	Property	Approximate Price	
			Local Currency (HK\$)	US\$ Equivalent
Office	Kennedy Town	Kennedy Town Centre	470,000,000	60,300,000
Residential	Wan Chai	Kam Kwok Building & National Building	825,000,000	105,900,000
Residential	Kowloon Tong	Yuet Yuen Garden	420,000,000	53,900,000
Residential	Western	9A-9H Seymour Road	400,000,000	51,300,000
Industrial	Yau Tong	Kingsford Industrial Centre	515,000,000	66,100,000

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## SINGAPORE

In line with positive economic growth, Singapore's property investment market continued to experience buoyant levels of activity in the third quarter, with total transactions of S\$7.54 billion in investment assets recorded. This was 40% higher than the S\$5.38 billion in transactions during the same period last year. The stellar performance of investment sales has been driven primarily by developers' acquisitions of development sites and large-scale REIT-related purchases.

With S\$3.9 billion in investment sales, including 18 collective sales totaling S\$1.99 billion, the residential sector accounted for 52% of total investment sales during the third quarter. Land prices have been driven

by developers looking for choice residential development sites, particularly for high-end and "lifestyle" projects in prime districts. Commercial investment sales accounted for 24%, or S\$1.77 billion, of total investment sales. Following its debut on the stock exchange, Frasers Centrepoint Trust acquired three shopping malls - Causeway Point, Northpoint Shopping Centre and Anchorpoint Shopping Centre, for S\$915.2 million. The hotel sector posted its strongest performance in five years, with the S\$998 million in transactions accounting for 13% of total investment sales in the quarter. The positive outlook for Singapore's hotel and tourism industry is likely to continue to attract strong investor interest, with some regional investors and funds already seeking acquisition opportunities in the city.

### MAJOR TRANSACTION RECORDS (JULY TO SEPTEMBER, 2006) (WORTH OVER S\$20 MILLION)

EXCHANGE RATE: US\$1 = S\$1.59

Sector	District	Property	Approximate Price	
			Local Currency (S\$)	US\$ Equivalent
Residential	10	Pin Tjoe Court	201,000,000	126,400,000
Retail	Woodlands Yishun Alexandra	Causeway Point Northpoint Shopping Centre Anchorpoint Shopping Centre	915,200,000	575,600,000
Industrial	Jurong	Jurong Logistics Hub	168,000,000	105,700,000
Hotel	Orchard Havelock Road Tanjong Pagar Havelock Road	Orchard Hotel and a shopping arcade Grand Copthorne Waterfront Hotel M Hotel Copthorne King's Hotel	846,300,000	532,300,000

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## SOUTH KOREA

## SEOUL

The Seoul office market continued to see strong demand for large-scale office buildings from both domestic and overseas investors, with limited supply and high demand resulting in a seller-led market. Overseas investors have been especially aggressive in the office market on the back of relatively low financing rates and expectation that the local currency will continue to appreciate.

Overseas investors dominated large-scale office building deals and the number and diversity of overseas investors has increased as the influx of overseas funds continues to grow. In addition to US investors such as Merrill Lynch and Morgan Stanley, investors from Singapore, Japan and Europe, including Ascendas, Pramerica, GIC, NCC, DEGI and DEKA have been actively investing in high-quality office buildings,

and overseas investors are known to be the preferred negotiators for the Myeongji Building, Myeongdong Tower, and the Daehan Fire Insurance Building, all located in the CBD.

Merrill Lynch's purchase of the Daewon Building in the CBD at a price of KRW 48 billion, or the equivalent of KRW 11.6 million per pyung (US\$345 psf), was the most notable transaction in the quarter. Due to the intense demand, transaction prices of Grade A office buildings have continued to rise, with Grade A office buildings in the CBD reaching prices in the KRW 14-15 million per pyung (US\$416-446 psf) range. Prices of Grade A office buildings in Gangnam and Yeouido range between KRW 12-13 million per pyung (US\$357-387 psf) and KRW 9 million per pyung (US\$268 psf), respectively, and continue to rise steadily.

### MAJOR TRANSACTION RECORDS (JULY TO SEPTEMBER, 2006) (WORTH OVER KRW 10 BILLION)

EXCHANGE RATE: US\$1 = KRW 946.50

Sector	District	Property	Approximate Price	
			Local Currency (KRW)	US\$ Equivalent
Office	CBD	Daewon Building	48,000,000,000	50,700,000

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## INDIA

## MUMBAI

The income-generating asset market has slowed over the past two quarters due to the increase in interest rates. Transactions have traditionally been negotiated at initial yields of between 10% and 11%, but the fact that prime lending rate is now at 10.5% leaves very little margin for investors. In the short term, the government may consider another increase in the prime lending rate; however, any drop in global crude oil prices would favourably impact the prime lending rate.

Faced with constraints in raising funds in the local stock markets, several Indian companies are planning to access the Alternative Investments Market (AIM) in London. The capital raised there would, in turn, be invested in FDI-compliant real estate projects in India.

The private equity business continues to be extremely active, with large players like Goldman Sachs and GE announcing huge outlays for the future.

Although no clear timeline has been indicated, the government has proposed significantly easing entry barriers in the property sector. If the proposed changes are implemented, the minimum size for FDI projects will be lowered to 10 acres for residential projects and 10,000 sm (107,640 sf) for commercial projects. Many real estate developers feel that this change would lead to rapid and significant increases in land prices in second- and third-tier cities.

Furthermore, the government has asked the Reserve Bank of India to clear proposals filed earlier in 2006 by a dozen overseas venture capital firms, which will result in an additional funds inflow of nearly US\$1 billion. Once the regulators are able to clear this backlog of proposals, we expect the release of the funds to impact the property market in a positive way.

### MAJOR TRANSACTION RECORDS (JULY TO SEPTEMBER, 2006) (WORTH OVER INR 10 MILLION)

EXCHANGE RATE: US\$1 = INR 45.93

Sector	District	Property	Approximate Price	
			Local Currency (INR)	US\$ Equivalent
Prime Residential	Mumbai	Il Palazzo	250,000,000	5,400,000
Prime Residential	Mumbai	Las Palmas	60,000,000	1,300,000
Land	Mumbai	Gabriel & Co	850,000,000	18,500,000
Land	Mumbai	Gunnebo India	220,000,000	4,800,000

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## INDIA

## NEW DELHI

The rapidly maturing Indian property market, underpinned by robust economic growth and a significant potential for rapid growth in FDI, offers attractive investment opportunities.

The government's ongoing focus on infrastructure development in the National Capital Region (NCR) has been a significant driver of market activity in 2006. The Metro rail network has proven to be a boon for property micro markets in the city, with future connectivity through planned metro rail nodes sending capital and rental values spiralling upwards.

The facilitation of capital flows from individual investors, venture capital and foreign funds in recent months has led to a marked improvement in property development opportunities. However, the majority of investment transactions in the NCR market are still driven by high net worth individuals, with the average ticket size being less than US\$500,000. Some overseas funds have begun scouting for opportunities, but the lack of projects of the size required for FDI

compliance has inhibited major deals. It is expected that close to US\$7-8 billion of overseas venture capital will flow into the Indian real estate market over the next 18 to 30 months. Apart from this, we expect another US\$3-4 billion of domestic funds to be invested in the property market within the same time frame.

Due to continued demand for quality property and a severe demand-supply mismatch, rentals and capital values in the NCR continue to increase. In some micro markets values have risen more than 50% over the past year. This surge in prices is also partly attributable to the municipal authority's 2006 clamp down on the unauthorised occupation of non-commercial facilities for commercial use. With supply remaining tight in the short term, capital values are expected to firm up further.

Infrastructure development in the suburban micro markets is also bolstering their attractiveness, and the corporate shift to these areas is increasing. The proposed new expressways and special economic and IT zones should further accelerate this trend.

NO MAJOR TRANSACTIONS WERE RECORDED IN NEW DELHI IN THE THIRD QUARTER OF 2006.

## INDONESIA

## JAKARTA

No major transactions were recorded in the third quarter of 2006. The real estate development sector continued to be dominated by local players such as the Bakrie Group, Pakuwon and the Sinar Mas Group.

The Bakrie Group is undertaking a large-scale mixed-use project in the Kuningan area, the Rasuna Epicentrum, which will consist of office, retail and residential components. The project occupies a land area of 44.7 hectares and involves a total investment cost of around IDR 3.5 trillion.

Pakuwon, a developer from Surabaya City, is presently redeveloping its mixed-use Kota Kasablanka project, on Kasablanka Street in Kuningan. This project, located near the Rasuna Epicentrum, comprises a total land area of 9.5 hectares. The total investment cost of the project is estimated to be IDR 1 trillion.

In West Jakarta, the Sinar Mas Group, another well-known developer with a strong track record in large-scale projects, is presently constructing Bumi Serpong Damai (BSD) City Phase 2. The project comprises a total land area of approximately 2,000 hectares, of which 1,461 hectares are dedicated for housing, 223 hectares for the development of a city centre, and 141 hectares for developing a sub city centre. The remaining area will comprise a central park (75 hectares) and an industrial estate (100 hectares). Approximately 800 hectares of the project have already been developed.

To boost investment sentiment, Bank Indonesia reduced its benchmark interest rate by half a percentage point to 10.8% on 5 October. The fifth reduction of the year brought rates down from their January 2006 peak of 12.8%. The inflation rate was brought under better control during the third quarter, with the September rate of 14.6% being the lowest recorded in 2006.

NO MAJOR TRANSACTIONS WERE RECORDED IN JAKARTA IN THE THIRD QUARTER OF 2006.

## MALAYSIA (THIS SECTION IS CONTRIBUTED BY C H WILLIAMS TALHAR & WONG)

## KUALA LUMPUR

The Kuala Lumpur investment market was active in the third quarter, seeing several significant transactions and continued positive investment sentiment on the part of overseas investors. Notable transactions in the period under review included Great Eastern Life Assurance's purchase of Wisma Denmark in Kuala Lumpur's Central Area for RM 128 million (RM 305 psf) and the sale, to Macquarie Global Property Advisors, of the Empire Tower (office building), Crown Princess (hotel) and City Square (retail centre), for a total of RM 680 million.

The hotel sector was especially active, and three notable hotels were sold in the third quarter; The Westin and the Novotel Hydro Majestic Hotel, both located in Kuala Lumpur's Central Area, and the Sheraton Subang Hotel & Tower in Subang Jaya. Newwood Assets acquired The Westin for RM 455 million while Pulau Springs Bhd acquired the Novotel Hydro Majestic Hotel for RM 130 million. In September, Hong Kong's Far East Consortium International Limited transacted the Sheraton Subang Hotel and Tower at RM 140 million. In another hotel sector development, YTL Corporation announced the proposed inclusion of the Ritz Carlton Hotel and Residences into the Starhill REIT portfolio.

### MAJOR TRANSACTION RECORDS (JULY TO SEPTEMBER, 2006) (WORTH OVER RM 15 MILLION)

EXCHANGE RATE: US\$1 = RM 3.69

Sector	District	Property	Approximate Price	
			Local Currency (RM)	US\$ Equivalent
Office	Kuala Lumpur	Empire Tower	270,000,000	73,200,000
Office	Kuala Lumpur	Wisma Denmark	128,000,000	34,700,000
Retail	Kuala Lumpur	City Square	170,000,000	46,100,000
Hotel	Kuala Lumpur	The Westin	455,000,000	123,300,000
Hotel	Kuala Lumpur	Crown Princess	240,000,000	65,000,000
Hotel	Subang Jaya	Sheraton Subang Hotel & Tower	140,000,000	37,900,000
Hotel	Kuala Lumpur	Novotel Hydro Majestic Hotel	130,000,000	35,200,000

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## PHILIPPINES

## MANILA

The economy continued to grow in the third quarter, driven by resilient consumer spending, strong remittances by Overseas Filipino Workers (OFW), and creditable export performance. The bellwether 91-day bill rate averaged 5.6% in the quarter, slightly higher than the 5.2% average in the second quarter. Overall GDP growth in 2006 is expected to be between 5.5% and 6.1%.

The expansion of the call centre/business process outsourcing (BPO) sector and the double-digit growth in OFW remittances are expected to continue to benefit the country. Many developers have earmarked significant funds over the next three years for projects catering to these markets.

Robinsons Land Corporation recently concluded the listing of its secondary offering of 361.14 million common shares, with the proceeds (PHP 4.33 billion) intended for the development of commercial centres, call centre/BPO facilities, residential projects and landbanking activities.

Meanwhile, banks will continue to dispose of non-performing assets specifically foreclosed property through various means including retail auctions, sealed bids and negotiated sales. According to Bangko Sentral ng Pilipinas, the sale of soured loans through these methods primarily brought banks' average non-performing loan ratio down to 7.2% in August 2006, from 8.5% in December 2005. Moreover, the extension of the Special Purpose Vehicle Act, which provided tax incentives for banks to dispose of their bad assets, is expected to pave the way for the disposal of an additional PHP 100 billion of nonperforming assets, and the lowering of the non-performing loan ratio to 6.5% in 2007.

The escalation in office and residential rental levels will continue to outpace the increase in capital values, translating to moderate growth in yields for these sectors over the next two to three years. With continued announcements of new projects across major property markets, the outlook for the real estate market looks positive as it appears to be in a sustained recovery.

NO MAJOR TRANSACTIONS WERE RECORDED IN MANILA IN THE THIRD QUARTER OF 2006.

## PEOPLE'S REPUBLIC OF CHINA

## BEIJING

The third quarter saw a number of notable transactions in Beijing, with Singaporean investors being the major players. CapitaLand announced the purchase of two residential projects, the Huazhan International Business Mansion, located east of the Badaling Highway, is scheduled for completion by 2008. CapitaLand acquired the GFA 300,140-sf project for RMB 200 million. The second project, referred to as the "Jingmian project", is located east of the Fourth Ring Road. CapitaLand bought a 60% equity stake in the Beijing Heng Shi Tong Fang Real Estate Company for RMB 18 million. About 900 units will be built in the GFA 1.1 million sf project.

In August, the Ascott Group announced that it had bought two serviced apartment buildings, the Laccueil Residence, located in the core area of the Zhongguancun Hi-Tech Park in Beijing, and the Tianjin Junyi Building in Tianjin. Ascott paid nearly RMB 302 million for the 154-unit Laccueil, and plans to spend another RMB 33 million refitting the building, which it will rename the 'Somerset Zhongguancun'. Other projects receiving overseas capital investment in the third quarter included the Tianlun Dynasty Hotel and the Tianlun Song He Hotel, in which Sunrider International (China) Co Ltd invested over RMB 1 billion. In June, Mountain Breeze (Barbados) SRL, a joint venture between Shui On Construction and JP Morgan Chase, acquired the Hua Pu Building, a high-end office property with a GFA of 1.3 million sf, for RMB 1.1 billion. It is scheduled for completion by the end of the year.

### MAJOR TRANSACTION RECORDS (JULY TO SEPTEMBER, 2006) (WORTH OVER RMB 10 MILLION)

EXCHANGE RATE: US\$1 = RMB 7.90

Sector	District	Property	Approximate Price	
			Local Currency (RMB)	US\$ Equivalent
Office	Dongcheng	Hua Pu Building	1,100,000,000	139,200,000
Serviced apartment	Haidian	Laccueil Residence	302,000,000	38,200,000
Residential	Chaoyang	Huazhan International Business Mansion	200,000,000	25,300,000
Hotel	Dongcheng	Tianlun Dynasty Hotel and Tianlun Songhe Hotel	1,000,000,000	126,600,000

Transaction prices are reported according to the best of our knowledge but we do not guarantee their accuracy. Discrepancies may result due to rounding.

## PEOPLE'S REPUBLIC OF CHINA

## SHANGHAI

The third quarter of 2006 witnessed two heavyweight office acquisition deals. In July, Morgan Stanley acquired East Ocean Plaza Phase I from Shanghai Jingyu Real Estate for RMB 1.95 billion. Located in the Nanjing Road West office area, East Ocean Plaza had been standing distressed for about eight years. Phase I of the project has a total GFA of 866,500 sf, of which nearly 713,950 sf is for office use. The average transaction price of the office portion reached RMB 26,660 psm (US\$313 psf).

Also in July, Hopson and Union Wise Investment Limited agreed to sell Pacific Delta Investment Limited their equity stake in Shanghai Mintai Real Estate, the project company of the Hopson International Tower in Lujiazui, Pudong. The buyer, Pacific Delta, is a subsidiary of Korea's Mirae Asset. The total acquisition price reached US\$300 million, and the GFA 923,380-sf project is scheduled for completion in 2008.

In the third quarter various Central Government entities jointly issued two documents dealing with foreign investment in China's property market. The documents reflected the Central Government's resolve to strengthen control over foreign investment in real estate acquisition and development, further restricting investment channels and tightening supervision of overseas investors purchasing property in China. With the prohibition of direct offshore acquisition of real estate in the PRC, the new regulations are expected to lead to a slowdown in overseas investment.

The People's Bank of China also sent constrictive signals to the investment sector three times during the quarter. After raising the Required Reserve Rate twice in July and August by an aggregate of a percentage point, the bank raised the one-year base rate for deposits and lending by 0.27 percentage points to 2.52% and 6.12%, respectively, on 19 August.

### MAJOR TRANSACTION RECORDS (JULY TO SEPTEMBER, 2006) (WORTH OVER RMB 100 MILLION) EXCHANGE RATE: US\$1 = RMB 7.90

Sector	District	Property	Approximate Price	
			Local Currency (RMB)	US\$ Equivalent
Office	Pudong	Hopson International Tower	2,400,000,000	303,800,000
Office	Jing'an	East Ocean Plaza Phase I	1,950,000,000	246,800,000

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## PEOPLE'S REPUBLIC OF CHINA

## GUANGZHOU

In July the Highsun Group purchased the President Hotel for RMB 283 million. The GFA 315,385-sf property is located in Gangding, which is a well-known distribution centre for IT products in the Tianhe District. Highsun will turn the bottom five floors into IT shops, while the upper floors will remain a hotel.

More and more local developers continue to diversify their business, moving beyond the residential sector. In August, Zhongshan City's Agile Group, previously engaged solely in residential development,

purchased a commercial lot in Pearl River New City for RMB 325 million. Agile intends to develop the site into a GFA 952,200-sf office building. In a government tender in September, Shenzhen Vanke Real Estate Ltd and COFCO Property Group acquired the Jinshazhou plot for RMB 1.75 billion, the highest price ever recorded for a residential site sold by government auction. The price was equivalent to an accommodation value of RMB 4,033 psm (US\$47 psf), or 166.7% over the government's reserve unit price. This large lot, with a site area of around 1.6 million sf, will have an approximate GFA of 4.7 million sf.

### MAJOR TRANSACTION RECORDS (JULY TO SEPTEMBER, 2006) (WORTH OVER RMB 100 MILLION) EXCHANGE RATE: US\$1 = RMB 7.90

Sector	District	Property	Approximate Price	
			Local Currency (RMB)	US\$ Equivalent
Residential site	Baiyun	Jinshazhou Plot	1,750,000,000	221,500,000
Commercial site	Tianhe	Pearl River New City B1-6	480,000,000	60,800,000
Commercial site	Tianhe	Pearl River New City B1-7	325,000,000	41,100,000
Commercial site	Tianhe	Pearl River New City B1-5	300,000,000	38,000,000
Commercial site	Tianhe	Pearl River New City A3-1	148,660,000	18,800,000
Hotel	Tianhe	President Hotel	283,000,000	35,800,000

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## TAIWAN

## TAIPEI

The recent run-ups in fuel prices have not had a major impact on investor sentiment in Taiwan, and demand in the investment market has been boosted by historically low mortgage rates and impulse buying to beat inflation. Many local and overseas companies are attempting to take advantage of the boom in the real estate market by forming property opportunity funds and issuing securitisation products.

REITs have been in the limelight this quarter, beginning with the successful listing of the Keetai and San Ding REITs on the local bourse. In addition, Taipei 101 is considering issuing a real estate investment

trust product backed by a package of the Taipei 101 office building, the adjacent shopping mall and the observatory.

In the third quarter, CLSA bought three under-construction industrial office buildings with a total GFA of around 957,860 sf from Pronice Construction Company in Neihu for approximately NT\$7 billion. The Bank of Taiwan sold a residential plot in Taichung of approximately 28,000 sf to TW Life at around NT\$1.4 billion and Yuan-Kun Development Co bought a residential plot of approximately 5,900 sf for NT\$668.9 million.

### MAJOR TRANSACTION RECORDS (JULY TO SEPTEMBER, 2006) (WORTH OVER NT\$250 MILLION) EXCHANGE RATE: US\$1 = NT\$33.10

Sector	District	Property	Approximate Price	
			Local Currency (NT\$)	US\$ Equivalent
I/O	Neihu	Industrial/office building	7,000,000,000	211,500,000
Site	Taichung	Residential site	2,026,000,000	61,200,000
Site	Shiling	Residential site	1,550,000,000	46,800,000
Site	Taichung	Residential site	1,395,000,000	42,100,000
Site	Zhongzheng	Residential site	668,900,000	20,200,000

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## THAILAND

## BANGKOK

Despite the coup of 19 September, overseas investors appear to remain confident in Thailand's economy and they continued to acquire land plots, hotels and resorts, especially in the southern tourist destinations of Phuket and Phang Nga, where the property markets remain buoyant.

Despite the unfavourable political conditions, investors concluded many transactions in the third quarter. The Erawan Group purchased land plots in Bangkok (Sathon), Phuket (Patong) and Pattaya (central Pattaya), while Kingdom Hotel Investment (KHI) and European Hotels Corporation Ltd (EHC) acquired land in Phang Nga. Acquisition

activities in this segment show no sign of a slow down and we expect that property prices in these tourist areas will continue to rise.

While property markets in tourist destinations remained active, the total value of projects approved by the Board of Investment from January to September 2006 dropped by 37% compared to the same period last year. This is largely due to the political instability that began in late 2005 and has had a negative impact on industrial investment activities. However, significant improvement is anticipated next year, when the economic and political situation is expected to be less volatile.

### MAJOR TRANSACTION RECORDS (JULY TO SEPTEMBER, 2006) (WORTH OVER BAHT 100 MILLION) EXCHANGE RATE: US\$1 = THB 37.59

Sector	District	Property	Approximate Price	
			Local Currency (THB)	US\$ Equivalent
Office/Retail	Wattana, Bangkok	Building (GFA: 138,080 sf)	1,432,000,000	38,100,000
Site	Chonburi	Land	200,000,000	5,300,000
Site	Pattaya	Land	n.a.	n.a.
Site	Patong, Phuket	Land	n.a.	n.a.
Site	Phang Nga	Land	n.a.	n.a.

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Q3 2006



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