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Third Quarter 2010

Asia Pacific Property Digest



Dear Reader,

Property market fundamentals in Asia Pacific improved further in 3Q10, buoyed by solid economic growth and high confidence levels. Take up of space continues to strengthen and more markets have moved to the upturn phase of the rental cycle. Likewise, investment volumes are picking up and capital values are now increasing in most markets.

In addition to our regular market coverage, featured markets this quarter comprise Osaka, Chennai and Adelaide office; Chengdu and Chennai retail; Manila residential and Tianjin logistics. This edition of the Asia Pacific Property Digest also includes topical articles on the property markets in China, India, the Philippines and Australia, as well as commentary by Alastair Hughes, Asia Pacific CEO for Jones Lang LaSalle.

I hope you find this edition of value in navigating the dynamic real estate markets of Asia Pacific. As always, we welcome your feedback.

Regards,



Dr Jane Murray
Head of Research – Asia Pacific

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Cover picture: Eureka Tower, Melbourne, Australia

Asia Pacific Economy
Continues to Perform Solidly

Dr Jane Murray
Head of Research – Asia Pacific

The regional economy continues to perform solidly and is outpacing world growth by a significant margin. In most countries, consumer spending remains strong, underpinned by improving consumer confidence and employment growth. According to the Nielsen Global Consumer Confidence survey released in October, nine of the top 10 most optimistic nations globally in 3Q10 came from Asia Pacific. Hiring has strengthened in a number of countries, including not only emerging markets but also mature economies such as Australia, Hong Kong and Singapore.

According to the CPB Netherlands Bureau for Economic Policy Analysis, world trade continues to grow. However growth weakened to 1.9% q-o-q in the three months ended August, as import volumes declined in the advanced countries. China's exports grew 22.9% y-o-y in October, while Japan's export growth decelerated to 14.3% y-o-y (in yen terms) in September.

Almost all economies saw a continuation of the growth trend in 2Q10. A few countries have so far released third quarter results. China, South Korea, Singapore and Indonesia recorded a more moderate rate of economic expansion in 3Q10 compared with the previous quarter, while Vietnam saw an acceleration in growth.

Growth trend continues across the region

China: Real GDP growth slowed further to 9.6% y-o-y in 3Q10 from 10.3% y-o-y in 2Q10 after recent policy measures to prevent overheating of the economy. The latest monthly indicators point to continued solid growth. In October, manufacturing sector activity as measured by the Purchasing Managers' Index recorded its fastest rate of expansion since April. In the same month, retail sales grew 18.6% y-o-y. The Development Research Center of the State Council expects China's economy to grow by 10.0% in 2010 and by 9.0% in 2011.

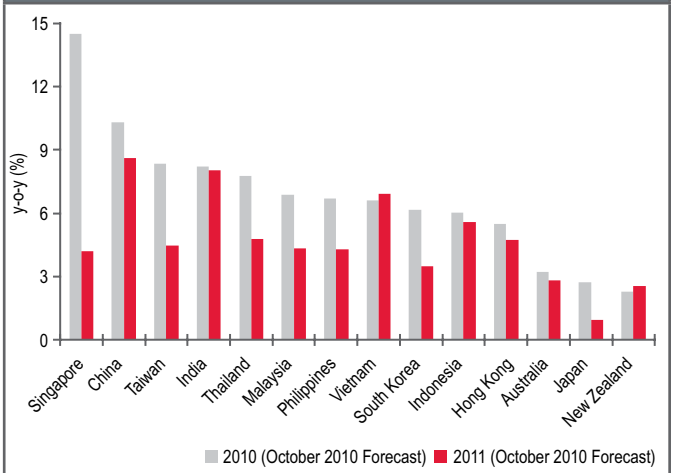
Japan: Real GDP growth slowed to 1.5% q-o-q (annualised) in 2Q10 from 5.0% q-o-q in 1Q10. Industrial production fell for the fourth consecutive month in September, down 1.9% from the previous month. Growth in retail sales slowed to 1.2% y-o-y in September from 4.3% y-o-y in August, as car sales tapered off with the end of government incentives. The government expects its economy to grow by around 2.6% for the year ended March 2011.

South Korea: Real GDP grew by 4.5% y-o-y in 3Q10 compared with 7.2% y-o-y in 2Q10, largely due a slowing in export growth. The central bank expects the economy to grow by 6% in 2010.

Singapore: The economy expanded by 10.3% y-o-y in 3Q10, based on advance estimates computed largely from July and August data. Not surprisingly, this is lower than the outstanding 19.6% y-o-y growth achieved in 2Q10 and is mainly due to a slowdown in the volatile manufacturing sector. The government still believes that the economy is on track to achieve growth of between 13% and 15% for 2010.

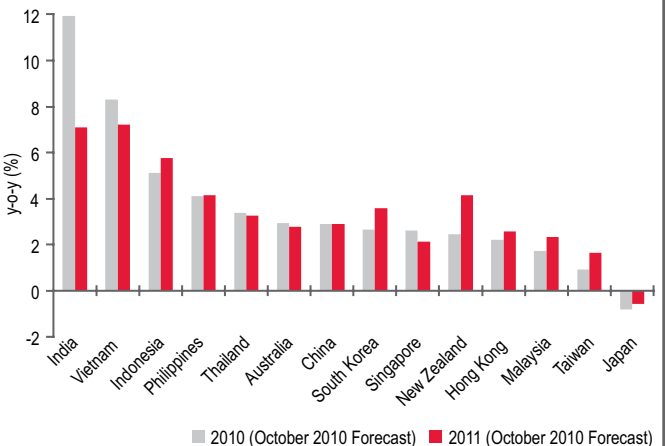
Hong Kong: Real GDP growth slowed to 6.5% y-o-y in 2Q10 from 8.0% y-o-y in 1Q10 largely due to a temporary lull in consumer spending. Retail sales grew by a brisk 17.2% y-o-y in September, buoyed by strong sales of consumer durables. The government expects its economy to expand by 5 to 6% in 2010 on the back of broad-based strength.

Figure 1: Real GDP Growth



Source: IHS Global Insight

Figure 2: Consumer Price Inflation



Source: IHS Global Insight

Key Performance Indicators

	GDP (%)		Short-Term Interest Rate (%)		CPI (%)		Unemployment Rate (%)		Real Private Consumption (%)		Industrial Production	
	2010F	2011F	2010F	2011F	2010F	2011F	2010F	2011F	2010F	2011F	2010F	2011F
China	10.3	8.6	5.3	5.4	2.9	2.9	4.2	4.1	8.5	8.9	15.3	12.0
Hong Kong	5.5	4.7	0.3	1.0	2.2	2.6	4.3	3.7	4.9	4.4	NA	NA
Taiwan	8.4	4.5	0.7	1.6	0.9	1.6	5.3	4.7	2.1	2.0	21.7	10.4
Japan	2.7	0.9	0.3	0.3	-0.8	-0.6	4.8	5.0	1.8	0.9	19.1	7.4
South Korea	6.2	3.5	2.7	3.4	2.7	3.6	3.7	3.6	3.6	2.7	17.6	3.2
Philippines	6.7	4.3	3.9	4.3	4.1	4.2	7.3	6.9	0.4	4.4	19.0	7.6
Singapore	14.5	4.2	0.4	1.2	2.6	2.1	2.5	2.2	6.6	4.4	22.1	6.4
Malaysia	6.9	4.3	2.6	3.1	1.7	2.3	3.4	3.2	6.1	5.2	7.8	2.5
Thailand	7.8	4.8	1.2	2.1	3.4	3.3	1.1	1.2	4.9	3.9	13.7	3.9
Indonesia	6.0	5.6	6.9	7.0	5.1	5.8	7.8	7.5	4.7	5.1	3.7	3.5
Vietnam	6.6	6.9	6.3	6.9	8.3	7.2	2.1	1.8	6.0	6.6	11.6	12.8
India	8.2	8.0	10.7	13.3	11.9	7.1	9.5	9.4	6.6	9.3	11.2	7.3
Australia	3.2	2.8	4.7	5.5	3.0	2.8	5.2	5.1	3.1	2.4	4.6	1.4
New Zealand	2.3	2.5	2.9	4.0	2.5	4.1	6.4	6.0	2.1	1.8	4.5	1.3
World	3.8	3.3	2.8	3.2	2.7	2.8	8.4	8.3	2.5	3.0	8.3	5.0

Source: IHS Global Insight, October 2010

India: Real GDP growth accelerated to 8.8% y-o-y in 2Q10 from 8.6% y-o-y in 1Q10. The manufacturing sector grew 12.4% y-o-y in 2Q10 while the agricultural sector resumed growth due to the good monsoon. Industrial production growth fell to a 15-month low in August, although there is some doubt regarding the reliability of the figures. The government is currently forecasting the economy to grow by 8.5% y-o-y for the year ended March 2011.

Australia: Real GDP grew 3.3% for the year to June 2010. The unemployment rate increased to 5.4% in October from 5.1% in September. Retail turnover growth languished through 1H10, though a recovery has been evident in recent months. Consensus Economics' September forecasts point to GDP growth of 3.3% in 2010, rising to 3.4% in 2011.

Most countries have started tightening

Inflationary pressure remains high in some countries. In October, China's CPI inflation rate increased further to 4.4% y-o-y, the fastest pace in two years, while in India, wholesale price inflation (the primary inflation indicator for the country) increased to 8.6% y-o-y. Most central banks have started raising interest rates or implemented other tightening measures. The largest rate rises have been by India, Australia and Vietnam, with total increases of between 150 bps and 200 bps each in the current cycle. Several countries including South Korea, Taiwan, Thailand and New Zealand commenced monetary tightening in June/July. China raised its one-year lending and deposit rates by 25 bps to 5.56% and 2.5% respectively in October, the first rate rise since September 2007.

With less restrictive lending conditions compared to 12 months ago, various governments have also attempted to reduce excess liquidity in the property market, particularly in the residential sector. In September, China asked banks to stop lending to buyers of third homes and extended the 30% downpayment requirement to all first-home buyers. Hong Kong and Singapore tightened requirements for residential mortgage loans during 3Q10.

More moderate regional growth for 2011

According to IHS Global Insight's latest forecasts in October, regional growth is expected to pick up from 1.7% y-o-y in 2009 to 6.5% this year. For 2011, the region is expected to grow by a more moderate rate of 4.9%, slightly below 2003–2007 average growth of 5.4%, due to a slowdown in both investment spending and external demand.

Downside risks to growth remain. The US and Europe continue to face major economic challenges and Asia Pacific has a large exposure to any fall in demand for our exports emanating from these sources. Additionally many currencies in the region have recently seen significant appreciation, a trend which threatens the competitiveness of exports. Nevertheless the improvement in domestic conditions in many Asia Pacific countries, the generally low levels of indebtedness and the region's compelling structural drivers should place it on a solid growth trajectory over the short to medium term.

Asia Pacific Property Market

Activity Continues to Strengthen

Property market fundamentals continue to improve across Asia Pacific, underpinned by stronger economic conditions and business confidence. Take up of space is strengthening and in some markets corporate occupiers are finding that space is in short supply. Consequently, the leasing market is turning more in favour of landlords and more markets have moved to the upturn phase of the rental cycle. Capital values started to recover earlier than rentals and have now bottomed in most markets. Investment activity strengthened in the third quarter, and we expect volumes to pick up further going forward.

More markets enter cyclical rental upswing

Office sector: Aggregate net absorption of office space across Asia Pacific's Tier I cities increased by 27% q-o-q to 1.5 million sqm in 3Q10. New supply additions amounted to 1.3 million sqm, a 12% increase on the previous quarter. In the major financial centres, Hong Kong and Singapore both recorded strong net take-up of office space, while contraction in space came to an end in Tokyo. Relocation and upgrading demand continue to underpin the bulk of the take-up, though there are more instances of expansion in markets such as Hong Kong, Singapore and the Tier I cities of China and India. With stronger hiring activity in many markets, expansion demand is expected to strengthen as occupiers position for future growth.

Rents are now increasing across many office markets in the region, with residual declines in a few centres including Seoul, Taipei and some South East Asian locations. In 3Q10, net effective rentals in Tokyo increased for the first time since 1Q08 (+3.7% q-o-q), due to shorter rent-free periods. Net effective rents strengthened the most during the quarter in Singapore (+10.9% q-o-q in Raffles Place) and Beijing (+10.9% in the CBD), closely followed by Hong Kong (+8.6% in Central). Rents were flat or fell moderately in most major Australian cities during 3Q10, though rents in Melbourne have been rising for three successive quarters. Looking forward, rents are likely to rise the fastest in Hong Kong and Singapore during 2011, with increases of between 15 and 25%. Rental growth is expected to pick up in Tokyo, while growth momentum in China's Tier I cities is likely to slow from the hectic pace of recent quarters.

Retail sector: Improving labour market conditions and stronger consumer confidence are underpinning retailer demand in the region. Demand for new mall space has been particularly strong in China as more international brands continue to set up new stores, though retailers in Hong Kong and Singapore have become more cautious due to high rentals. Rents were either stable or increased in most markets in 3Q10. As in previous quarters, markets in Greater China showed the largest rental growth (Beijing +4.3% q-o-q, Guangzhou +2.0% q-o-q). Most markets are expected to record positive rental growth over the next few quarters, though rentals in most Indian locations are expected to either remain largely flat or post residual declines due to the large supply-demand imbalance.

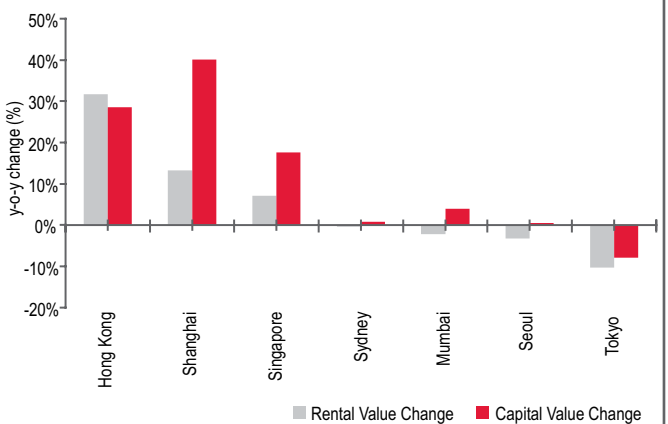
Residential sector: In 3Q10, leasing demand strengthened in the luxury and high-end residential markets in Greater China and Singapore, but remained subdued in most South East Asian markets. Luxury rents in Hong Kong saw the biggest increase (+4.0% q-o-q), while rents in Singapore and Chinese Tier I cities generally rose by about 2% q-o-q. With corporate expansion resuming and an increasing number of expatriates in markets such as Greater China and Singapore, luxury rentals have entered a cyclical upswing with single digit growth expected for most markets over the next 12 months. Hong Kong and Singapore are likely to see even stronger growth.

Industrial sector: The regional industrial market continues to improve on the back of encouraging trade and retail sales figures. Rents are starting to increase in the markets of Greater China, as well as for high-tech and conventional industrial space in Singapore.

Capital values and investment activity both move upward

The AP investment market continues to strengthen, underpinned by more buoyant investor confidence. Direct commercial property transaction volumes for Asia Pacific amounted to USD 18.2 billion in 3Q10, an increase of 14% q-o-q. Japan, the region's largest investment market, accounted for close to 30% of total volumes, followed by Australia, Singapore and Hong Kong. The standout performer during the quarter was Singapore which recorded a 360% quarterly increase in investment volumes, largely due to several large office transactions. Intra-Asian and domestic investors continue to fuel transactions across the region, though inter-regional investors have started to become more active. With further improvements in

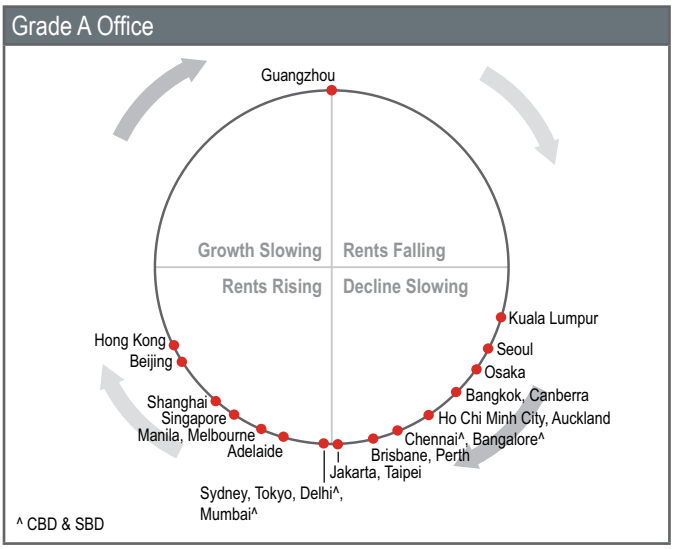
Figure 3: Rental and Capital Value Changes, 3Q10 vs 3Q09

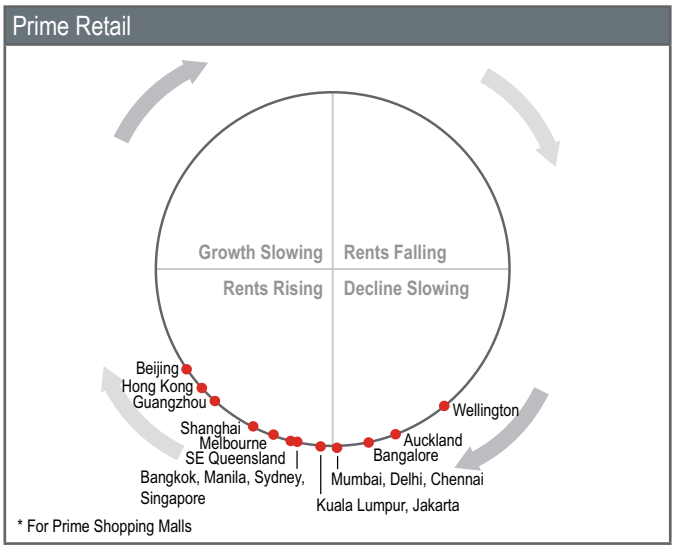


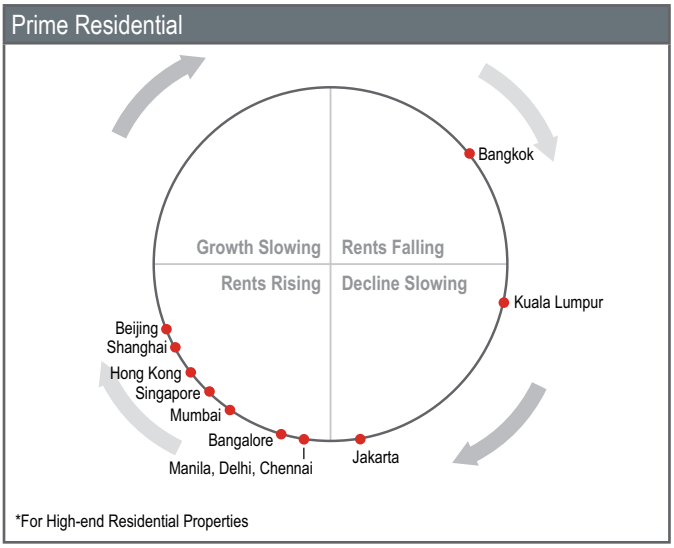
Changes shown are for CBDs

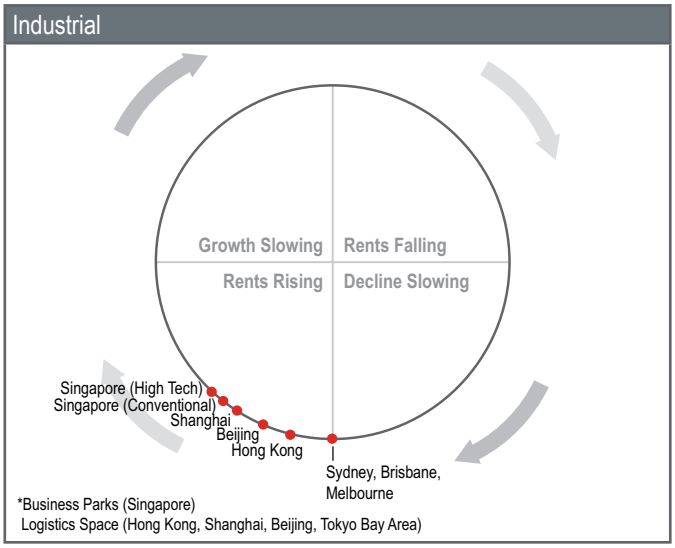
Source: Jones Lang LaSalle

Rental Property Clocks, 3Q10









market fundamentals, we expect aggregate investment volumes for 2010 as a whole to increase by around 15% for the full year compared with 2009.

Almost all major markets saw either stable or increasing office capital values in 3Q10, with Tokyo registering its first gain since 4Q07 (+6.6% q-o-q). Singapore registered the largest price increase over the quarter (+11.1% q-o-q in Raffles Place), followed by Hong Kong (+8.7% q-o-q in Central) and Beijing (+8.6% q-o-q in CBD). Capital values in Melbourne rose 4.5% q-o-q. Looking forward, capital values are expected to grow largely in line with rentals in 2011 as investors have already priced in strong future rental growth.

Market fundamentals expected to improve further

Although there are still some risks regarding the economic backdrop, the improvement in property market fundamentals in Asia Pacific appears to be gaining speed. With further strengthening in leasing demand, we expect rental growth to pick up in many markets in 2011, with growth in laggard markets accelerating from 2012 onwards. Capital values are generally expected to move upwards over the short term, largely in line with rentals, though prices in the residential sector are still subject to significant policy risks in most markets.

About the Author



Dr Jane Murray joined Jones Lang LaSalle in 1998 and in 2005 was appointed as Head of Research - Asia Pacific. In this role, Jane leads a team of over 100 professional researchers in the region, which forms part of a network of around 300 researchers in 60 countries around the globe.

The Asia Pacific Research team produces a range of outputs to assist the clients of the Firm with their decision making, including comprehensive market monitoring and analysis across major institutional-grade real estate markets in the region; forecasts of key real estate indicators; consultancy projects; thought leading research papers on topical issues as well as regular publications.

Asia Pacific's Economic Growth Underpins Tenant Demand



Last year the world of real estate in Asia Pacific was pretty easy to summarise. Demand for space low, supply high – rents and values falling.

As we look at the third quarter of 2010 each office market in Asia Pacific is reacting slightly differently as tenant demand picks up either slowly or quickly (depending on economic growth) and it meets markets that have varying levels of supply. Office rents are reacting to these forces of demand and supply. In Hong Kong and Singapore rents are rising quickly, in Sydney rents have stabilised and are edging upwards, in Taipei rents are still falling but will soon turn the corner.

For the region as a whole, what looked like huge oversupply is gradually being absorbed due to growth in the businesses that make up the regional economy and by canny occupiers taking advantage of cyclically low rents to upgrade space.

The economic growth which is creating this demand looks set to continue with solid GDP expansion projected for Asia Pacific in 2011. In stark contrast to most economies in the west, the target of Government regulation and monetary and fiscal policy is to cool property markets rather than stoke them. Driving a car with the handbrake half on gives plenty of scope to maintain speed if we come across a hill or two and this should make us reasonably confident of continued growth.

Our 20,000 real estate experts were very busy in the third quarter giving advice to our clients and helping them meet their own growth targets. Matching occupiers' requirements with available space has been especially active in the quarter, as has matching buyers and sellers of investment properties.

In India, our dominance in the IT space was further strengthened with a pan-India appointment from Cognizant, one of the largest and fastest-growing technology companies in the country. Our Markets team in India has already transacted 650,000 sq ft of office space for the client this year, with another 500,000 sq ft to be undertaken by the end of the year. The relationship with the US-headquartered Cognizant started in India and has been exported, so we are now working on projects for them elsewhere in the world.

Our Markets team in Singapore is continuing to dominate the landlord representation scene there, with a market share of 66% following a number of new sole agency appointments from Ho Bee, Lend Lease, CDL and AEW. These appointments bring the total square footage under sole agency in Singapore to 5.1 million sq ft.

These are just two examples where we have been active in all the markets in the region. In the third quarter we advised on over 20 million sq ft of leasing transactions.

In the capital markets we predicted last quarter that the slight slowdown in deal volumes in Q2 could not last long as there was

too much equity looking to invest and too many solutions required for legacy debt issues. We were right and in Q3 there was a marked picked up in activity and prices continued to firm.

Our teams were involved in nearly USD 2 billion of transactions in the quarter. Picking through the deals we can see definite themes. One is the rise of the Asian investor both in their domestic markets but also venturing across borders within the region. The second is the buoyancy and attractiveness of Australia to both domestic and overseas buyers.

We concluded the largest retail transaction in Australia since the Global Financial Crisis, with the sale of a portfolio of four Direct Factory Outlets for USD 456 million, sold by Austexx to CFS Retail Property Trust. Our most recent cross border transaction saw a Malaysian investor buying into Australia, the second deal from Malaysia into Australia this year. Charter Hall Group – one of Australia's leading property fund managers and a Malaysian listed property developer set up a 50:50 partnership for the development of the Little Bay residential project in Sydney in a USD 578 million project. The other deal was the purchase of the 37 storey Santos Place office building in Brisbane, for USD 277 million by a Malaysian fund.

By linking up our Capital Markets teams across the regions we can help buyers find sellers and sellers find buyers, easing the movement of capital from one country to another, both within Asia Pacific and around the world. Indeed another transaction in Q3 was in New York where we closed the USD 140 million sale of Takashimaya's high profile building on 5th Avenue.

So each market is recovering differently from the financial crisis, both the occupational and capital markets are active and we are busy helping our clients achieve success.

I hope you find the research in this publication useful in helping you make good real estate decisions – I'm sure Q4 is going to be extremely busy!





Alastair Hughes
CEO, Asia Pacific

China's Residential Market: It's Hard to Keep a Good Market Down

Surprise move: More demand suppression

On 29 September, in a surprise but strategically timed move, the Central government announced new tightening measures for the residential property market. Minimum down payments were raised to at least 30% for all buyers, which will now include first time home buyers of small and medium sized apartments. The prohibition on mortgages to buyers of third homes and above was extended nationwide. These additional demand suppression efforts came at a time when the 'wait-and-see' mood following the April tightening measures was wearing off after three and a half months, with transaction volumes rising in August (Table 2) and gaining momentum in September. Prices were also beginning to move upward in September (Table 1), particularly in cities like Dalian, Chongqing and Wuhan that somewhat underperformed in 2009.

The timing of the move, just days before the start of the China National Day golden week, was significant, as this is a seasonally strong period in the market when many families attend local housing fairs and buy apartments in cities all over the country. The government was clearly throwing cold water on the momentum building in the market while reiterating their resolve to prevent housing prices from moving up.

Policy focus on supply as well

As more data became available on the strength of the housing market in September, it was clear that demand suppression continues to be a challenge. At the same time, government policies are also focused on increasing supply in order to mitigate price pressures, but the anticipated increase in new launches for the fourth quarter has thus far failed to materialise. As a result of the 29 September policy tightening, we expect most potential home buyers to return to 'wait-and-see' mode with transaction volumes dropping off for the balance of the year. With many developers having reached their 2010 sales targets already, we expect them to postpone new project launches until 2011 to the extent they have the financial wherewithal to do so. This pushes that expected increase in supply back by at least one quarter and takes pressure off developers to lower prices in 2010.

In our view, government policies have been relatively effective at reducing the total quantum of investor properties purchased, as we discussed in these pages last quarter. However end user demand from first time home buyers and 'upgraders' makes up the bulk of

Table 1: Residential Price Action

	FY09	2Q10	3Q10
Wuhan	-1.5%	-	5.5%
Qingdao	5.6%	-0.5%	2.4%
Dalian	6.5%	7.4%	6.4%
Chongqing	10.0%	0.2%	6.8%
Shenzhen	26.5%	0.1%	1.2%
Ningbo	26.6%	9.5%	9.9%
Suzhou	27.0%	2.1%	3.4%
Hangzhou	31.4%	3.3%	7.5%

Source: Jones Lang LaSalle (Real Estate Intelligence Service, China), 3Q10

Table 2: Rising Transaction Volumes in September

	Change M-O-M
Shanghai	72.1%
Beijing	59.2%
Guangzhou	70.3%
Shenzhen	79.8%
Ningbo	123.1%
Suzhou	82.9%
Nanjing	75.3%
Hangzhou	66.7%
Wuhan	56.1%
Wuxi	53.1%
Qingdao	45.3%
Tianjin	33.7%
Chengdu	36.8%
Shenyang	21.1%
Changsha	17.7%
Dalian	9.5%

Source: CRIC (China Real Estate Information Corporation)

the market and remains very strong. Even with economic growth recently slowing to 9.6% year-on-year, China is still the fastest growing large economy in the world enabling real urban income to grow 7–10% each year. Household formation is also strong, driven by supportive demographics as the echo-boom generation finishes university, enters the workforce and gets married.

To keep prices in check, which we still believe is the central government's primary policy objective for the mass market, a combination of increased supply along with demand suppression must be sustained for a period of several years as more of the emerging middle class's basic housing needs are met over time. Nationwide, implementation and enforcement of residential housing policies has been a challenge the central government has been dealing with for years and one implicit goal of the 29 September announcement was to reinforce the seriousness of their resolve to prevail over market price pressures.

Land sales, which grew significantly in 2009, grew even further in 2010. This is part of the government's supply side strategy, along with cashflow pressure put on the developers to encourage them to build faster and pre-sell sooner after buying land. These policies hail from the end of 2009 and require developers to put 50% down payments on land purchases and pay the balance within one year. On 1 November, developers in many cities will have to place revenue from pre-sales into escrow accounts until the project is completed. This will also encourage developers to build faster, thus increasing supply.

Major shift toward subsidized and affordable housing

On the other hand, in 2010, 70% of new land sales are meant to be for policy and affordable housing. This includes price limited housing, income or asset restricted housing, low rent housing, urban slum redevelopment, as well as commercially developed small and medium sized affordable housing. Over the course of the next several years, as the 70% regulation begins impacting developers' land banks, the price pressure in the high-end and mass market may build more quickly if supply becomes more constrained.

According to the Ministry of Housing and Urban and Rural Development (MoHURD), by the end of 3Q10 construction had started on 90% of the 5.8 million units of policy housing they were targeting. The target has now been increased to 15.8 million units of policy housing to be started by 2012. For comparison, in 2009, 550 million sqm of residential housing was completed, which equates to something of the order of 9 million units. Of course there is a difference between starts and completions, and there is not necessarily consistency in how these are measured from city to city, but we retain a healthy skepticism regarding the industry's ability to increase construction capacity as quickly as the government's data would suggest.

Nonetheless, the central government is budgeting significant capital for the development of policy housing. The sources of capital include a pilot REIT in Tianjin which will finance low rent housing – which would make the REIT virtually indistinguishable from a government bond. Over the course of the coming 12th five year plan, we expect to see a gradual reduction of investment spending on infrastructure, and a major shift toward the development of policy housing.

Containing price pressures will require continued demand suppression and increased supply, so we expect China to remain on a restrictive policy footing at least through 2011. The impact on prices will be muted for the time being, but transaction volume will be a key indicator as we enter the next seasonally strong period following Chinese New Year.

About the Author



Michael Klibaner works with a team of 30 researchers in seven offices in China covering 20 Tier I, II, and III markets across the office, retail, residential, and industrial sectors. With 16 years of business experience, the last 6 in China, Michael has an extensive background in finance and consulting. Michael is the Chairman of AmCham Shanghai's Real Estate Committee and a frequent commentator on China's property markets.

Retail in India – Looking Beyond Metros

Trivita Roy

Manager – Research, Jones Lang LaSalle India

Renewed Retailer Confidence in India

The Indian retail industry is rebounding in 2010 with improving macroeconomic conditions and increasing consumer confidence. India led the consumer confidence index[1] globally in 2Q10 with 129 points against the world average of 93 points. In the light of this optimism retailers are revamping their expansion plans into not only Tier I and II cities but also Tier III (non-metro) cities which remain largely untapped. The focus of retailers is on value and convenience retail, and all major retailers perceive promising opportunity in these cities due to their increasing purchasing power.

The Rising Importance of Tier III cities

The segment of India's population which falls into socio-economic classes (SEC[2]) A and B is considered to be the major consumer of organised retail. About 43% of India's SEC A population and 48% of India's SEC B population live in the non-metro cities[3]. Therefore there is immense potential in these cities. Retailers have experienced customers coming from smaller cities to shop in their stores in Tier I and II cities. This clearly indicates the rising preference for organised retail in Tier III cities. In addition to this, consumption patterns of Tier III consumers are changing with the growing awareness of various goods, predominantly due to greater exposure to media.

Many retailers have already moved into Tier III cities to explore the opportunity. From apparel and convenience stores to luxury car showrooms, retailers of various categories have penetrated into the small cities in India. Retailers such as Future Group, Reliance Retail, Aditya Birla Group, ITC's Lifestyle and Shoppers Stop have opened stores or are planning to open stores in the non-metro cities of India. They are exploring the suitability of various formats such as high streets, standalone stores, shopping centres and departmental stores. International retailers such as Metro and Walmart have opened their cash and carry stores in Tier III cities. Single branded international retailers such as United Colors of Benetton, Reebok, Pepe Jeans, McDonald's, Domino's Pizza and Subway have already penetrated in to the non-metro cities of India.

Retailers' Expansion Strategies

Retailers in India are considering various strategies to foray into the non-metro cities. They are studying every aspect, from merchandise strategy to store format, size, location and layout. They are planning merchandise strategy based on the purchasing power of the city and consumer requirements. For instance, Shoppers Stop has planned to allocate only 5-10% of their merchandise for luxury products in the non-metros, compared with generally 15-20% in the metro cities. Retailers are also considering franchise stores for testing the market as franchisees have good understanding of local markets. Competition with existing local retailers is also being factored into retailers' entry strategies for Tier III markets.

Table 1: Future Plans of Major Retailers

Retailer	Number of Stores Planned in Future	By the Year	Cities/States
Pantaloons	10-12	2010	Jaipur, Allahabad, Delhi/NCR.
Shoppers Stop	18	2013	Jaipur, Chandigarh, Ahmedabad, Amritsar, Mangalore, Mysore , Aurangabad
Lifestyle	25	2012	Delhi, Ludhiana, Jalandhar, Kanpur.
ITC's Lifestyle	6	2010	Guwahati, Nashik, Vizag, Bhopal and Mangalore
Bharti Walmart	12-15	2011	Punjab , Haryana, Rajasthan, Uttar Pradesh, Andhra Pradesh and Karnataka

Source: Jones Lang LaSalle (Real Estate Intelligence Service, India)

Retail Real Estate in Tier III Cities

The retailing landscape varies significantly across India as markets differ greatly in size, maturity and purchasing power. Retail real estate in the Tier III cities is currently dominated by traditional high

1 Nielsen Global Consumer Confidence Survey- 2Q10

2 The Socio-Economic Classification is a commonly used classification of households. The SEC classification is based on a ranking of occupation and education characteristics of the head of households. SEC A for instance consists of households where the head has highest levels of education and is in an occupation typically associated with high incomes. SEC E households on the other hand have heads who have low or no formal education and are typically in non-skilled occupations.Source: City Skyline of India, Indicus Analytics

3 Juxt Indian Urbanities study 2009- Businessworld Marketing Whitebook 2010-2011

streets and is located in the central business precinct, transport nodes and along the major transport corridors. The retail stores are generally located on the ground and first floors of prime properties along major roads and high streets. This type of retail space does not have standardised facilities such as parking or central air conditioning.

However consumer preferences are changing the retail real estate landscape of the non-metro cities which are witnessing the development of malls and modern shopping centres. Lack of entertainment options and inconvenient retail environments in these cities have assisted the success of the first malls and shopping centres. Cities like Ahmedabad, Jaipur, Nagpur, Ludhiana, Surat, Vadodara, Aurangabad and Kochi have witnessed growth in mall development in recent years. Although large sized malls like Treasure Island (700,000 sq ft) in Indore have been successful, smaller sized malls ranging between 200,000 sq ft and 400,000 sq ft and strategically distributed across the city are more suitable for these cities.

Store sizes vary across retail categories and Tier III markets. While revenue share models are preferred by retailers, they are less prominent in non-metro cities as these markets are relatively immature and developers/property owners do not yet have substantial understanding of these models.

Conclusion

The Tier III cities in India are the next destinations for retailers after the Tier I and Tier II cities due to increased consumer spending and changing consumer preferences in these cities. Many retailers are exploring this opportunity and they are cautiously expanding into the non-metro cities. Retailers are remodeling their strategies to suit the non-metro cities. As real estate markets in the small cities are still largely unorganised and immature, getting suitable properties is a challenge for retailers. The properties mostly lack in quality, aesthetics and parking facilities. In such a scenario developers and operators of smaller Indian markets need to be more cognisant of the viability of their retail projects while planning, building and operating their properties to tap this demand. With the retail industry poised to grow at the rate of 9% y-o-y, the retail sector in India is again geared towards growth. However, this time the retail landscape in India is growing beyond the metro cities.

Table 2: Typical Store Sizes in Non-metro Cities of India

Category	Retailer	Size (sq ft)
Apparel and Footwear	Reebok, United Colors of Benetton, Spykar and Titan	600-1,200
Convenient stores	Food Bazaar, Easy day, More and Spencer's	2,500-6,000
Food	Cafe Coffee Day, Domino's Pizza, McDonald's and Subway	600-1,000
Departmental Stores	Big Bazaar, Shopper's Stop, and Lifestyle.	30,000-50,000

Source: Jones Lang LaSalle (Real Estate Intelligence Service)

About the Author



Trivita Roy joined Jones Lang LaSalle Research in 2007. Based in Hyderabad, she contributes to topical whitepapers, property market digest and research deliverables on industrial, commercial, retail and residential real estate markets in India. She is also a major contributor to the Indian Real Estate Intelligence Service (REIS).

Trivita is trained as a City Planner from the Indian Institute of Technology Kharagpur and has three and a half years' experience in real estate research.

The Growing Importance of Bonifacio Global City in the Manila Property Landscape

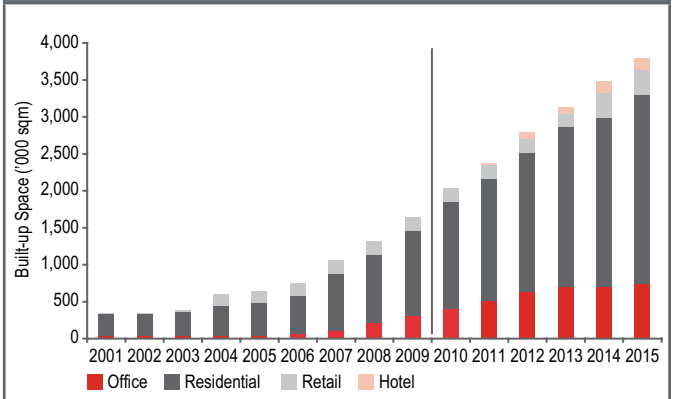
Claro dG. Cordero, Jr.

Head of Research, Consulting and Valuation, Philippines

Spiraling land values and worsening traffic conditions in the Makati commercial business district of Manila have prompted the development of new urban business neighbourhoods. These planned urban districts are located within Metro Manila and offer cheaper land compared to the Makati CBD. Currently there are 19 emerging business districts, with a combined developable area of 2,000 hectares, which serve as alternative addresses designed to promote the 'live-work-play' lifestyle to urban dwellers.

Bonifacio Global City (BGC) is the largest and most prime emerging business district in Metro Manila, strategically located two kilometres northeast of Makati CBD and adjacent to the Forbes Park and the Dasmariñas Village – Manila's two most expensive residential districts.

Growth of Built-Up Space in BGC: 2001-2015E



Source: Jones Lang LaSalle Research, October 2010

Profile of Developments

Over the last couple of years BGC has been attracting the majority of property-related investment and development funds in the Manila property sector. Currently, there are five development clusters/zones within the BGC totaling approximately 140 hectares (see Table). Existing developments in BGC are a mixture of office buildings, residential condominiums and retail malls.

In the last 10 years, unlike the Makati CBD which has faced constraints in supplying new stock, the BGC has been able to continue introducing new Grade A office developments.[1]

BGC supplies the majority of the country's 'build-to-suit' (BTS) developments. In contrast to the more impressive designs/lobbies and architecture of the prime and Grade A office developments in Makati CBD and Ortigas CBD, BTS developments, are mid-sized[2] Grade A buildings, have modest designs and equipped with highly-efficient floor plates, full back-up power and air-conditioning systems and advanced telecommunications facilities. These facilities have attracted the offshoring and outsourcing (O&O) firms to relocate to the BGC. Currently some 125,000 sqm of office space are occupied by the O&O industry in the area.

Development Zones within BGC

Area	Approximate Dev't Size (In hectares)	Average Floor-to-Area Ratio (FAR)	Average Land Values (PHP per sqm)	Anchor Tenants/Key Developments
Crescent Park West	45.7	9.0-15.4	144,000-288,000	E-Square; PEZA Zone, West Super Block, Science Museum
Bonifacio Center	35.93	9.0-18.0	144,000-288,000	Bonifacio High Street, East Super Block
Bonifacio South	32.33	8.0-18.0	128,000-288,000	CCI Lots, Singapore Embassy, Essensa, FVR Park
Bonifacio Triangle	5.68	4.0-8.0	64,000-128,000	St. Michael Church, Avida Residential, Total Corporate Center
North Bonifacio (FBDC areas)	20.71	6.0-18.0	96,000-288,000	City Center North, North CBD

Notes: Development areas do not include road/circulation areas; Land values are exclusive of 12% VAT.
Source: Fort Bonifacio Development Corp., Jones Lang LaSalle Research, October 2010

1 Office buildings in the Philippines are generally categorised into one of three classes, which may be defined as follows:
Prime/Grade 'A': Modern specification buildings with high quality finishes, which could incorporate suspended ceilings, raised floors, or under floor trunking in prime locations.
Grade 'B': Medium quality buildings in prime locations or Grade 'A' standard buildings but in secondary locations.
Grade 'C': Basic specification or older buildings with poor quality finishes usually located in a secondary location.

2 GFA approximately 10,000–30,000 sqm

There are about 16 completed office developments in the area today, with a total gross leasable area of approximately 300,000 sqm. The largest office developments include the five Net Group buildings – Net One, Net Square, Net Cube, Net Quad and Net Plaza. Although the office space in BGC is predominantly occupied by the O&O firms, the district has also been attracting firms from other industries such as banking and finance, advertising and marketing, real estate and legal services. Some of the existing occupiers in BGC include HSBC, JPMorgan Chase & Co., Deutsche Knowledge Services of Deutsche Bank, Ogilvy and Mather, Astra Zeneca, GE Money Bank and Baker & McKenzie International.

At present, there are more than 1.2 million sqm of residential space in mid to high-end condominiums and approximately 188,000 sqm of retail space in BGC. Some of the more prominent residential and retail developments include Pacific Plaza Towers, Essensa East Forbes Towers, Serendra, the Market!Market!, Bonifacio High Street, and S&R Membership Shopping, While there are currently no hotels within the district, some of the upcoming developments include Shangri-La at the Fort and Grand Hyatt Hotel.

Office Rental and Residential Capital Value Performance

Office rental rates in the BGC steadily climbed from an average of PHP 350 (USD 7.65)[3] per sqm per month in 2001 to a peak of PHP 650 (USD 14.20) per sqm per month in 2007 before declining by 16% to approximately PHP 550 (USD 12.00) per sqm per month in 2H09. By 3Q10, average rents are observed to have recovered to approximately PHP 600 (USD 13.10) per sqm per month.

In 3Q10, the existing mid-end residential condominiums in the BGC registered average capital values of PHP 80,000 (USD 1,748) per sqm, while luxury developments are valued at PHP 120,000 (USD 2,623) per sqm, on average.

Key Market Trends and Opportunities

The primary property market demand driver in the BGC, namely the O&O industry, is posting strong growth as manifested by the uptick in demand for office space in the area. As a result, the bulk of the future office supply in Manila will be developed in the BGC. This has also resulted in an influx of expatriates which have helped support the demand for residential condominiums. By 2015, it is anticipated that the development stock will total some 3.8 million sqm comprising 67% residential condominiums, 20% office, 9% retail and 4% hotels

This overall renewed demand should continue to exert upward pressure on rental and capital values in the short to mid-term. The growing investor confidence in the Philippine economy could lend further support to these property sectors within the BGC.

As more developments are being completed in BGC, the Makati CBD is no longer the only option. Office tenants and residential condominium investors have continued to migrate to these developments in the BGC – a submarket that offers superior amenities and facilities but less volatility in its asset prices.

Finally the pending implementation[4] of Real Estate Investment Trust (REIT) law in the Philippines is creating more optimism in the property sector. The introduction of REITs is expected to bring about improved capital markets and a larger investor base, not only for the BGC, but the other business districts in Manila as well.

About the Author



Claro dG. Cordero, Jr. leads the Research, Consulting and Valuation team in Manila. He is responsible for the preparation of regular market studies, reports, briefings, publications, press releases, commentaries and analysis, helping the Manila team establish a strong reputation for providing incisive commentary on the Philippine property market and offering authoritative professional guidance to clients. Claro holds a Master's Degree in Industrial Economics and also plays the lead role in various consultancy studies and the professional property valuation services unit of Jones Lang LaSalle Leechiu.

3 All currency conversions are based on the average of the exchange rate for July and August 2010 (i.e. USD 1 = PHP 45.75).

4 The Department of Finance is currently working on the implementation rules and regulations for the tax implications and practices surrounding the REIT Act.

Large Floor Plates are in Short Supply in Australia's Financial Centres

Andrew Ballantyne

Director, Jones Lang LaSalle Australia

Australia's financial centres of Sydney and Melbourne are 12 months into a demand upswing. Strong net absorption was recorded in the 12 months to end June 2010, with the Sydney CBD and the Melbourne CBD recording 100,700 sqm and 133,600 sqm respectively. The strong net absorption figures were in part driven by the withdrawal of sub-lease space, but also the growth in the finance & insurance sector. In the past 12 months, the Westpac Banking Corporation have taken up an additional 28,000 sqm in the Sydney CBD, whilst in Melbourne the ANZ Banking Group moved into a new development at 833 Collins Street, Docklands (83,500 sqm) in late 2009 and took up additional space totalling 6,300 sqm in 2Q10.

As a result, vacancy has tightened from mid 2009. The Sydney CBD total market vacancy rate was 8.1% in 3Q10 (8.5% a year earlier) and the Melbourne CBD vacancy rate was 6.6% (6.6% a year earlier). The starting point for vacancy in this cycle is low compared to previous downturns. On only one occasion (early 1980s recession) has Sydney started a recovery with a lower vacancy factor, whilst the Melbourne CBD has never moved into the recovery phase with a vacancy rate sub 7%. Given the strong rebound in demand and moderate development pipelines, both markets are likely to be pushing up against supply-side constraints in 2011 and 2012.

Sydney and Melbourne Peak Vacancy Rates in Previous Market Downturns

	Sydney	Melbourne
Mid 1970s recession	13.0%	18.3%
Early 1980s recession	4.3%	7.8%
Early 1990s recession	22.5%	25.8%
Post 2000 slowdown	11.9%	10.2%
Current	8.1%	6.6%

Source: Jones Lang LaSalle

What are occupiers looking for?

The low vacancy rate is not the only factor that tenants need to take into account. The shape, size and layout of a building's floor plate will impact occupier efficiencies. Large corporates are increasingly seeking space with a minimum 1,500 sqm floor plate with minimal intrusions in terms of columns and core areas. A rectangle style design with a side core and column free floors allows for higher occupational densities and reduced circulation space.

Tenants whose total floor space is in excess of 3,000 sqm are most efficient on floor plates of 1,500 sqm (and above), for the following reasons:

- It creates a collaborative workplace that enables stronger relationships between specialist businesses;
- Large floor plates and shared spaces allows for greater connections between team members;
- Large and efficient floor plates provide flexibility in accommodating project space and adapting to changing space requirements;
- Interaction is enhanced by the centralisation of gathering points, such as breakout lounges, kitchens and meeting rooms;
- The efficiency gains can ultimately lead to lower workspace ratios and result in a cost saving on the overall tenancy; and
- A more efficient balance is achieved between horizontal and vertical connectivity.

Vacancy is tight for prime assets with 1,500 sqm floor plates

Jones Lang LaSalle Research has calculated the average floor plate size of prime grade buildings in the Sydney CBD and Melbourne CBD. Whilst acknowledging that a number of buildings have a range of floor plate sizes (for example, One Shelley Street, Sydney has floors ranging in size from 1,950 sqm to 3,650 sqm), we have calculated an indicative floor plate size by dividing the office NLA by the number of office levels.

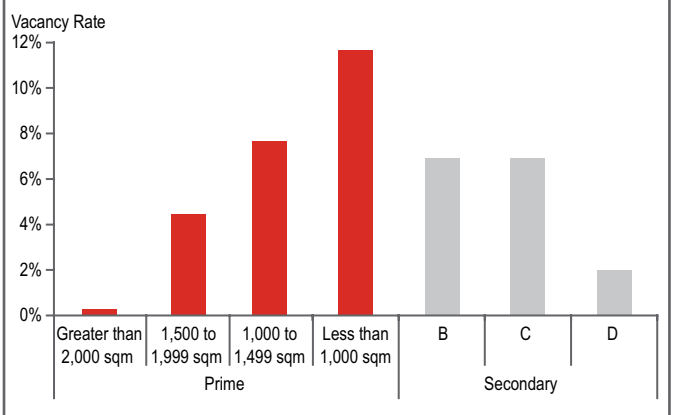
The preference shown by larger tenants for larger floor plates is highlighted by the breakdown of vacancy rates in Australian financial centres. In 3Q10, direct market vacancy[1] (all grades) in the Sydney CBD was 6.9%, but for prime buildings with average floor plates between 1,500 sqm and 1,999 sqm, vacancy was 4.5% and just 0.3% for buildings with average floor plates in excess of 2,000 sqm. In contrast, vacancy rates for buildings with average floor plates from 1,000 sqm to 1,499 sqm and less than 1,000 sqm were 7.7% and 11.7% respectively.

A similar result was found in Melbourne. Direct vacancy across all grades in the Melbourne CBD was 5.7%, but for prime grade buildings with average floor plates between 1,500 sqm and 1,999 sqm, vacancy was 1.6% and just 1.5% for buildings with average floor plates in excess of 2,000 sqm. The bulk of the prime grade vacancy was concentrated in assets with average floor plates from 1,000 to 1,499 sqm (5.0%) and less than 1,000 sqm (7.6%).

The Outlook

Sydney and Melbourne are 12 months into the demand recovery. The Reserve Bank of Australia has a central forecast that the Australian economy will grow above trend at between 3.75% and 4.00% in 2011 and 2012. This will have a positive impact on employment with Access Economics projecting that white collar employment in the Sydney CBD will increase by 10,700 workers and the Melbourne CBD by 21,800 workers from 2011 to 2013.

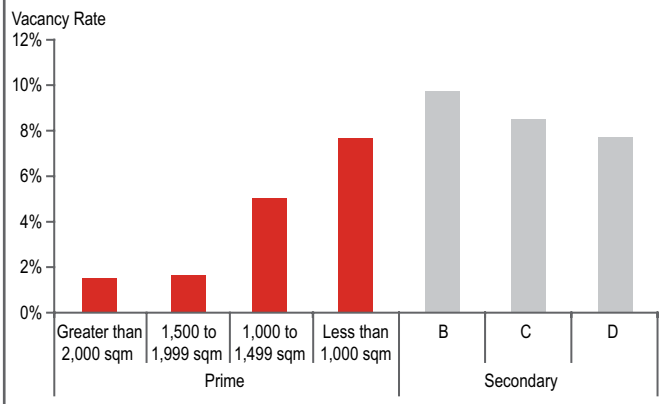
Sydney CBD Direct Vacancy Rates, Prime (by floor plate size) & Secondary Grade



Source: Jones Lang LaSalle

With limited availability in prime grade assets with floor plates above 1,500 sqm, large occupiers will look to pre-commit to new development. The bulk of new development in the Sydney CBD between 2014 and 2016 will be concentrated in Barangaroo, to the west of the CBD, whilst Melbourne's Docklands has the capacity to accommodate a further 410,000 sqm of office space (excluding known pre-commitments).

Melbourne CBD Direct Vacancy Rates, Prime (by floor plate size) & Secondary Grade



Source: Jones Lang LaSalle

About the Author



Andrew Ballantyne joined Jones Lang LaSalle in July 2007 and is a Director within the national research division in Australia. He is responsible for conducting original research on the Australian office markets and for managing the provision of strategic research services to all of Jones Lang LaSalle's Victorian business lines.

[1] Total market vacancy in Australia consists of direct and sub-lease vacancy. Direct vacancy is space that is being leased directly by the owner, whilst sub-lease has a lease over it, but is being offered to the market by the occupier.

Tokyo: Grade A Office

Japan's real GDP grew 0.4% q-o-q or 1.5% in annualised terms in 2Q10, revised upwards from the first preliminary figure. The August unemployment rate was 5.2%, decreasing 0.1 percentage point in one month, after remaining virtually flat entering 2010.

Demand

The vacancy rate for 3Q10 was 6.7%, having decreased 0.7 percentage points q-o-q. This was the first improvement in vacancy since 1Q09.

The amount of Grade A office space occupied in the Tokyo CBD increased 2.9% q-o-q or a 1.6% rise y-o-y. Expansions as well as large-sized relocations exceeding 1,000 sqm were witnessed in 3Q10 although some smaller cancellations and contractions continued. For most tenants, especially those leasing large space, relocations resulted in cost reductions and/or upgrading. Net absorption surged to 108,300 sqm following three quarters of negative net absorption, due in part to pre-commitments achieved in newly completed buildings.

Leasing transactions announced in 3Q10 included Mitsui Bussan Steel Trade's relocation from Akasaka Biz Tower to Marunouchi Trust Tower North Building and the relocation of NEC Mobiling from Shin-Yokohama to Kasumigaseki Building.

Supply

The completion of JFE Building (GFA 80,000 sqm; NLA: 52,000 sqm), which is situated in the Marunouchi sub-market, and Capitol Tokyu Tower (GFA: 88,000 sqm; NLA: 20,000 sqm), located in the Parliament neighbourhood area, increased the stock of Grade A office buildings in the Tokyo CBD by 2.1% in 3Q10.

Asset Performance

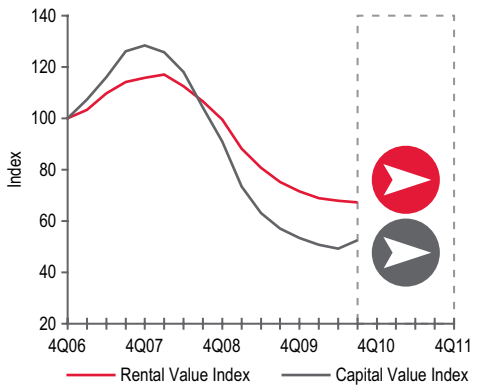
Rents for Grade A office buildings in the Tokyo CBD averaged JPY 28,373 per tsubo per month or JPY 102,993 per sqm per annum in 3Q10, decreasing 0.9% q-o-q and down 10.6% y-o-y. However, rental values were starting to pick up in some areas experiencing significant decline in vacancy, strong evidence that the market will soon bottom.

No Grade A office buildings were sold in 3Q10.

12-Month Outlook

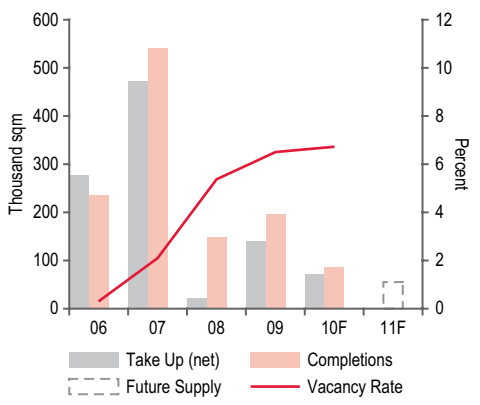
According to the September Monthly Report of Recent Economic and Financial Developments, Japan's economy is expected to recover at a moderate pace. At the same time, the diffusion index for large manufacturers in the September Tankan survey was forecasted to decline to -1 by end-2010. Under these circumstances, given that rental values have been declining and are around 60% of their peak level, we expect to see more tenants examine relocation options to cut operating costs and upgrade. Supply is expected to be relatively moderate until 2011 while vacancy should decrease and lend support to rentals. This should also support capital value growth.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rate are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	JPY 28,373 per tsubo per month
Stage in Cycle	Decline slowing
No. of Quarters Since Last Peak	10

^ gross, on NLA

12-Month Outlook			
Rental Value		Capital Value	

Osaka: Grade A Office

According to the September Regional Economic Trend Report, the economy in Greater Osaka is improving. Although labour market conditions remain weak, the unemployment rate is levelling out. Meanwhile, from the September Tankan Greater Osaka survey, the diffusion index (DI) for large manufacturers was +5, showing an improvement for the sixth straight quarter.

Demand

Vacancy in Osaka's Grade A office market has been steadily rising from a cyclical low of 0.5% in 4Q06 to 8.1% in 3Q10. However, in a positive sign, the increase in vacancy has slowed with only a marginal 0.1 percentage point increase recorded in 3Q10.

The number of consolidations and cancellations has stabilised while some new leases over 1,000 sqm were witnessed. Occupancy has been increasing in recently completed buildings as tenants upgrade. The significant drop in rents over the last two years, has allowed tenants to upgrade their offices at attractive rents.

At the ongoing Osaka Station North District Development Project (total GFA: 557,000 sqm; office GFA: 237,000 sqm), Intercontinental Hotels & Resorts will start operations at the B Block (use: office/hotel/ etc; GFA: 295,000 sqm) in 2013. The hotel will feature a 200-room hotel component and a 50-unit residence.

Supply

No new Grade A office buildings were completed in the Osaka CBD in 3Q10.

In total, 335,000 sqm of office stock is expected to enter the market between 2011-13. This will increase the total stock by 25.5%.

Asset Performance

Rents for Grade A office buildings in the Osaka CBD office market averaged JPY 11,144 per tsubo per month or JPY 40,453 per sqm per annum in 3Q10, down 0.5% q-o-q and 13.8% y-o-y. The quarterly rate of decline slowed to below 1%, decreasing for the fifth consecutive quarter, suggesting rents are bottoming out. Notably, rents for some buildings have started increasing, reflecting the stabilisation in the occupancy rate.

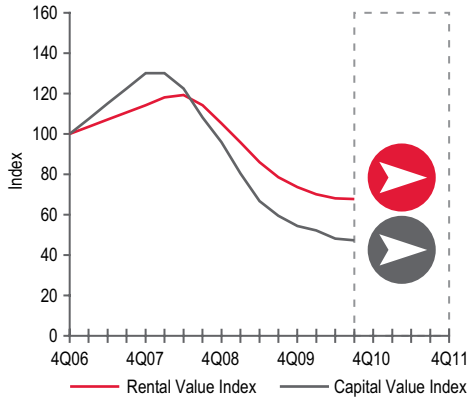
No major Grade A office transactions were recorded in 3Q10. However, in the CBD and fringes several local companies acquired small to medium sized office buildings.

12-Month Outlook

In the September Greater Osaka Tankan survey, the DI of large manufacturers of the region was forecast to decline to -1 by end-2010, from 5 in September. Under these circumstances, rents for Grade A office buildings in the Osaka CBD are now at around 60% of their peak levels. This suggests that for most tenants, relocation and upgrading at a lower rent is now possible. Lease agreements that were signed at the peak in 2007-08 are due to expire and these tenants may opt to relocate, upgrade and achieve cost savings.

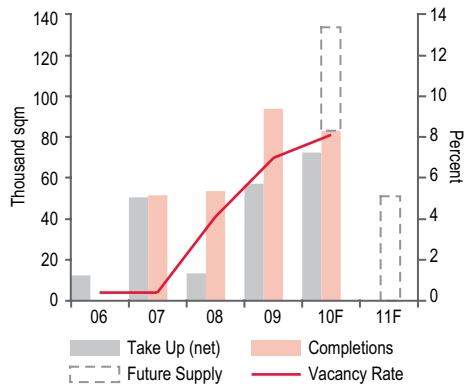
However, going forward, new completions amounting to around 25% of existing supply are expected to enter the market, pushing vacancy up. Given this, there is still room for further rental decline, albeit at a more moderate rate.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rate are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	JPY 11,144 per tsubo per month
Stage in Cycle	Decline Slowing
No. of Quarters Since Last Peak	9

^ gross, on NLA

12-Month Outlook	
Rental Value	Capital Value

Seoul: Prime and Grade A Office

Demand

Tenant activity across Seoul was robust in 3Q10 as net absorption reached 128,300 sqm – the largest quarterly net absorption recorded since 2008. By precinct, the CBD recorded net take-up of 115,600 sqm, while Yoido and Gangnam each recorded net absorption of 300 sqm and 12,400 sqm, respectively. Strong net take-up was mainly driven by relatively high pre-commitment levels achieved in office developments that were completed in the quarter.

Uncommitted office space that was added in the quarter boosted the total vacancy from 5.5% in 2Q10 to 5.9% in 3Q10. Prime vacancy increased by 0.7 percentage points to reach 3.6%, while Grade A vacancy was unchanged at 9.1% in 3Q10. Due to the small number of pre-commitments, vacancy is expected to increase more significantly once Center 1 (168,000 sqm) and K Tower (19,400 sqm) reach completion in 4Q10.

Supply

Four major office developments were completed over the quarter, adding 159,700 sqm of prime and Grade A office space to the Seoul office market. The completions of Ferrum Tower (55,700 sqm), Central Place (34,100 sqm) and LG Gwanghwamoon Building (51,300 sqm) during the quarter added 141,100 sqm of prime and Grade A office space in the CBD. In Gangnam, the completion of I Tower added 18,600 sqm of Grade A office space.

Asset Performance

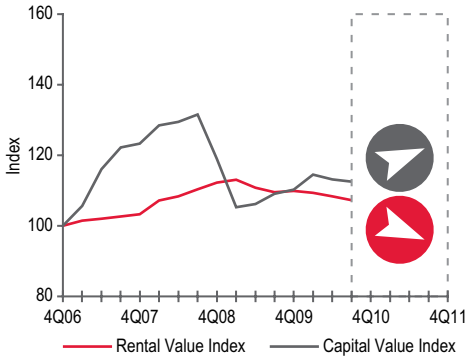
In 3Q10, prime net effective rents declined for the third consecutive quarter, although the rate of decrease has slowed down. Overall, prime net effective rents declined by 1.0% q-o-q as rising prime vacancies placed further downward pressure on rents. Prime net effective rents in the CBD and Gangnam depreciated by 1.5% q-o-q and 1.0% q-o-q, respectively, in 3Q10. In contrast, prime net effective rents in Yoido increased by 0.5% q-o-q over the same period. Meanwhile, Grade A net effective rents declined by 0.9% q-o-q in 3Q10.

Despite strong interest from domestic and international investors, the low number of quality office buildings available for sale has led to limited transaction activity. Five major transactions, totalling KRW 416.3 billion, occurred in 3Q10. This is the weakest quarterly transaction value recorded since 2007. Nonetheless, cross-border transactions have increased during the period. Upon maturity of its MAPS Frontier Real Estate Invest Trust No.13 fund, Mirae Asset MAPS sold two CBD assets with a combined value of KRW 210 billion. Dongbu Fire and Marine Insurance purchased Gateway Tower for KRW 139.7 billion, while RREEF acquired Alpha Building for KRW 70.3 billion. In addition to its Alpha Building acquisition, RREEF purchased Prime Tower from GIC for KRW 142 billion, the largest transaction recorded across Seoul in 3Q10. Indicative yields were unchanged in 3Q10, while prime and Grade A yields remained at 6.25% and 6.50%, respectively.

12-Month Outlook

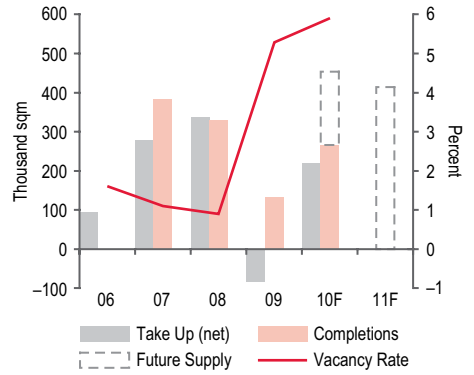
On the back of an improving economy, Samsung, LG and SK have announced plans to recruit more employees in 2H10 than originally anticipated, which should lead to a pick-up in tenant demand over the short term. However, the amount of supply slated for completion over the next 12 months is expected to overshadow tenant demand, thus placing further upward pressure on vacancy and downward pressure on rents.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

Supply, completions and vacancy rates are for Prime and Grade A.

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	KRW 148,277 per pyung pm
Stage in Cycle	Rents falling
No. of Quarters Since Last Peak	6

^ prime net effective, on NLA

12-Month Outlook	
Rental Value	Capital Value

Beijing: Office

Rental growth took off with the CBD leading the way while net absorption soared.

Demand

Leasing activity increased significantly due to strong demand, particularly in the highly coveted CBD. Both foreign and domestic service sector companies were driving this demand as they looked to establish, preserve and expand office space in Grade A buildings. The majority of these service sector firms are involved in finance, IT and law. For example, China Development Bank Securities took up 6,800 sqm in Raffles City, Oracle leased 7,500 sqm in Office Park and DLA Piper renewed a lease in the Kerry Center for 1,500 sqm. The rise in transaction activity has resulted in a sharp increase in net absorption; 360,863 sqm was absorbed in 3Q10, an increase of 83.9% q-o-q. In the CBD alone, 104,787 sqm of office space was absorbed, making it the most sought after sub-market for office space.

Supply

Only one new Grade A building entered the market in 3Q10, the 120,000 sqm China World Trade Center Tower III (China World Tower) in the CBD. The building increased overall Beijing Grade A office stock to 5.3 million sqm. With only one new building entering the market and demand growing rapidly, all the sub-markets experienced decreasing vacancy. Finance Street realised one of the steepest declines, dropping from 12.2% to 6.2% in 3Q10, while the overall market vacancy rate declined 5.0 percentage points to 17.8%. The CBD vacancy rate decreased the least of all the sub-markets, going from 37.5% to 35.6% in 3Q10.

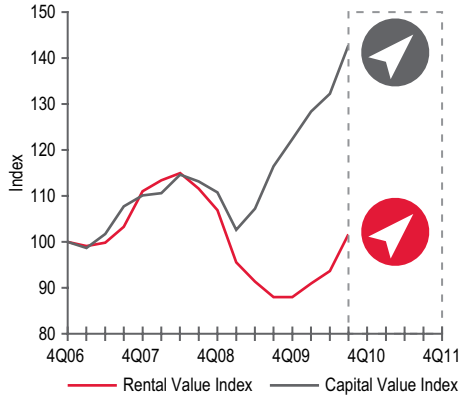
Asset Performance

The strong demand for Grade A buildings in Beijing drove rents up in the overall market. The overall average rent increased 8.5% q-o-q to RMB 271 per sqm per month based on net floor area (NFA). The CBD led the market with the highest rental growth. Its average rent increased 10.9% q-o-q to RMB 274 per sqm per month. The surge in rental growth was not limited to the CBD. The East 2nd Ring Road, Zhongguancun and East Chang'an areas all had rental increases above 5% this quarter.

12-Month Outlook

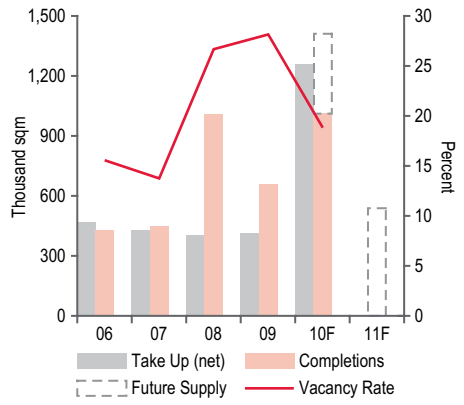
Looking ahead to 4Q10, we expect rental growth to slow as more Grade A buildings enter the market. In 4Q10, approximately 400,000 sqm of new office space is expected to come online, with 60% of new space located in the CBD. This new supply will temper rental growth in the CBD, but will have a negligible effect on the other sub-markets; thus, rentals will still grow, albeit, at a slower pace.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	RMB 271 psm pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	3

^ net effective, on NFA

12-Month Outlook	
Rental Value	Capital Value

Shanghai: Office

Demand

Demand from foreign multinationals in Puxi continued to strengthen as many companies resumed expansion after a two year hiatus. Foreign retailers were particularly active in the market as they secured larger, higher quality office space in order to support their growing national retail store footprints. Puma leased 3,000 sqm in The Headquarters Building while another foreign retailer pre-leased 2,900 sqm in Henderson Metropolitan, both upgrading and relocating from Grade B offices. Demand from other industries in Puxi also increased as companies expanded into larger offices, showing evidence of a broad based demand recovery. For example, a domestic law firm pre-leased 6,000 sqm in Sun Hung Kai's ICC (International Commerce Centre), and a multinational manufacturing company expanded into 2,670 sqm in Wheelock Square. As a result of the strong demand, the Puxi vacancy rate remained nearly steady at 11.0% in spite of the completion of Henderson Metropolitan. In the Pudong market, leasing volume and net absorption was smaller compared to the previous quarter, but a large amount of demand remains in the pipeline for the rest of the year. SWFC, DBS Bank Tower, and Two ifc were in the midst of late-stage negotiations for a variety of floors, indicating that demand has not slowed in the Pudong market. The majority of demand in Pudong is from domestic companies, particularly in Zhuyuan, where demand from local securities and futures companies resulted in several new leases in Chamtime and GC Tower. Continuing the trend from last quarter, foreign financial companies were a significant demand driver as well. Bank of America and Bank of Tokyo – Mitsubishi both expanded in-house within Azia Center, taking an additional 2,400 sqm of space each.

Supply

Hongjia Tower, located in the Zhuyuan area of Pudong, reached completion, adding 38,672 sqm to the Pudong market. The new completion pushed the overall Pudong vacancy rate slightly upward by 0.7 percentage points to 12.9%. Henderson Metropolitan, a Premium Grade A building in Huangpu, was completed at the end of 3Q10, adding 39,038 sqm to the market. In the decentralised Grade A market, IMAGO Tower and North America Plaza were completed, adding a total of 87,496 sqm to the decentralised market.

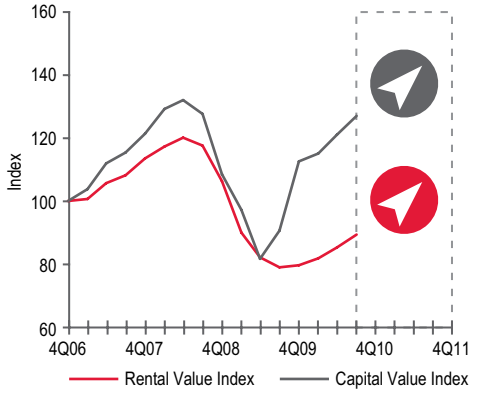
Asset Performance

In Puxi, strong demand from multinational companies expanding and upgrading led to a 6.6% q-o-q growth in the average rent to RMB 7.0 per sqm per day, the fastest pace of growth observed since early 2008. In Pudong, rental growth slowed slightly to 3.2% q-o-q, bringing the average rent to RMB 6.9 per sqm per day. After outperforming Grade A rents for three consecutive quarters, Premium Grade A office rents grew by only 2.7% q-o-q and 1.9% q-o-q in Puxi and Pudong, respectively.

12-Month Outlook

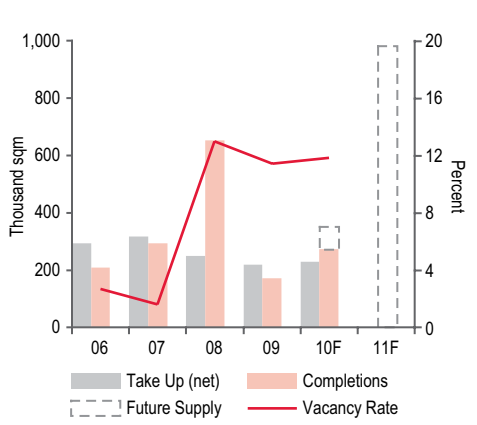
In Puxi, demand for space in Henderson Metropolitan, Wheelock Square, and next year's ICC Phase I will mostly come from MNC tenants upgrading to higher quality space or looking for expansion space that cannot be satisfied in their existing buildings. With the renewed demand from growing MNCs, rents are expected to continue to rise in Puxi. In Pudong, Grand Office Tower (81,099 sqm) is scheduled for completion by year-end 2010, but is expected to be sold to a state-owned enterprise owner-occupier. With strong demand driven by the expansion of the financial industry, rents should maintain a healthy pace of growth in Pudong over the next twelve months.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rate are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	RMB 7 psm per day
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	4

^ effective, on GFA

12-Month Outlook	
Rental Value	Capital Value

Guangzhou: Grade A Office

Demand

Guangzhou's Grade A office market continued to perform strongly in 3Q10 with net absorption surging to about 200,000 sqm after amounting to 72,000 sqm in 2Q10. Although 90,790 sqm of the quarter's net absorption was attributed to the completion of the fully self-occupied Guangdong Gotone Tower, demand was noticeably on the rise. This was particularly evident from domestic companies seeking to upgrade their offices. Hantele for example, leased 2,100 sqm in G.T.Land Plaza II Tower South while Huading Guarantee, Guangzhou Securities and Guangdong Wealth Guarantee leased 6,000 sqm, 4,500 sqm and 3,000 sqm, respectively in Guangzhou IFC. The strength of demand saw the vacancy rate in the overall market continue to tighten; down to 13.2% by end-3Q10.

The investment market was highlighted by the sale of Kaisa Group's equity stake in Kaisa Center to Evergrande for a record RMB 1.9 billion. The 92,783 sqm mixed-use development, which is situated in Zhujiang New Town, is currently under construction and scheduled for completion in 2011. Strata-titled sales were also strong during the quarter. Notable transactions included Boss Sunwen and Bank of Guangzhou purchasing 19,800 sqm and 48,400 sqm, respectively, in Premier International Plaza for self-use, with the latter also acquiring the naming rights for the building.

Supply

In addition to Guangdong Gotone Tower, the market also saw the completion of Onelink Center (65,000 sqm), G.T.Land Plaza II Tower South (27,450 sqm) and G.T.Land Plaza I Tower East (21,390 sqm); raising Grade A office stock in the city by 204,630 sqm. With the exception of Onelink Center, which is located in Tianhe CBD, all newly completed buildings are located in Zhujiang New Town.

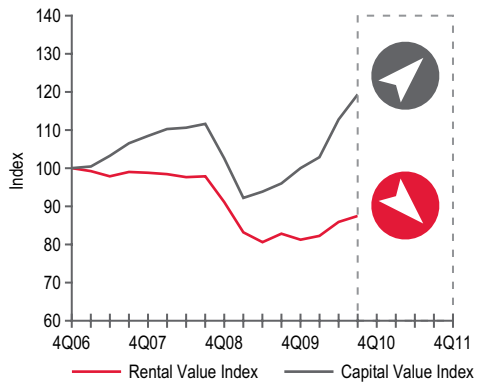
Asset Performance

In spite of the looming oversupply developing in the market (about 1.3 million sqm of supply is due to be completed in the market through to end-2011) landlords continued to set rents against prevailing market conditions. As at end-3Q10, rents in the overall market were up, on average, by 1.6% q-o-q. Meanwhile, the growing demand from end-users and pick-up in strata-titled sales saw capital values gain, on average, by 5.8% q-o-q in the quarter.

12-Month Outlook

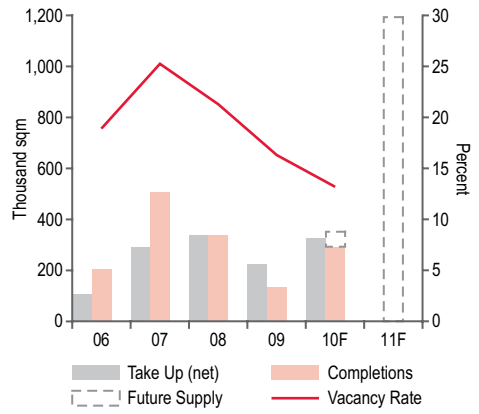
Though there still remain some concerns over the sustained recovery of the global economy, China's focus on promoting domestic led growth should continue to lend support to the city's Grade A office market. The 1.3 million sqm of new supply that will reach the market over the next 15 months will exert downward pressure on rents. However in view of the sustained demand in the market, we do not anticipate any immediate slump in rents.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	RMB 167 psm pm
Stage in Cycle	Growth slowing
No. of Quarters Since Last Trough	5

^ net effective, on NFA

12-Month Outlook	
Rental Value	Capital Value

Hong Kong: Office

Demand

Leasing demand was largely driven by expansion and relocation requirements in 3Q10. Latham & Watkins expanded internally by one floor (12,126 sq ft, net) in One Exchange Square; Chanel leased the top two floors of Hong Kong Club Building (11,498 sq ft, lettable); Daiwa Capital Markets expanded internally in One Pacific Place; while Leighton Construction expanded by taking a floor (16,290 sq ft, lettable) in Three Pacific Place.

With vacancy rates further tightening and rental gaps between various sub-markets widening, a new round of decentralisation has started to emerge. Of the 1.04 million sq ft (net) of net absorption achieved in the market during the quarter, 588,100 sq ft (net) was recorded in Hong Kong East and Kowloon East. Demand in Central increased sharply; up to 187,300 sq ft (net) for the quarter and more than double the 78,800 sq ft (net) posted in 1H10. The robust demand recorded in the quarter saw the vacancy rate in the overall market decline from 5.5% at end-2Q10 down to 4.7% by end-3Q10.

The investment market was largely dominated by strata-titled sales with several whole-floor properties sold during the quarter. Among the more notable were the sale of two floors in Cosco Tower for about HKD 578 million; a floor in World-Wide House for about HKD 300 million; and a floor in Bank of America Tower for about HKD236 million.

Supply

Kerry Properties' 354,700 sq ft (net) Kerry Centre in Hong Kong East was the only new Grade A office development completed in 3Q10. About a half of the building, which is the only new Grade A office supply to be completed on Hong Kong Island in 2010, will be self-occupied by the developer.

Asset Performance

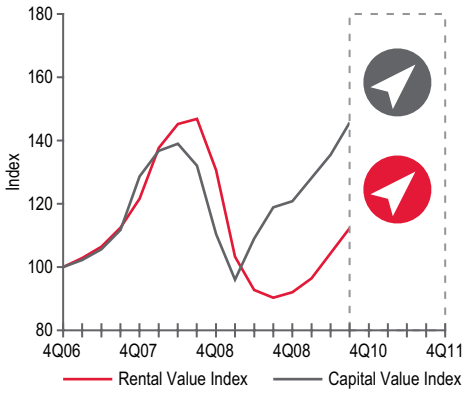
Rents increased across all sub-markets during 3Q10. Backed by the sharp pick-up in demand and declining vacancies, Wanchai/Causeway Bay rents led all sub-markets, growing by 9.9% q-o-q while rents in the overall market rose, on average, by 7.5% q-o-q.

Capital values also continued to rise across all sub-markets, with Wanchai/Causeway Bay leading the way, in terms of growth; up by 10.1% q-o-q compared with 7.6% q-o-q in the overall market.

12-Month Outlook

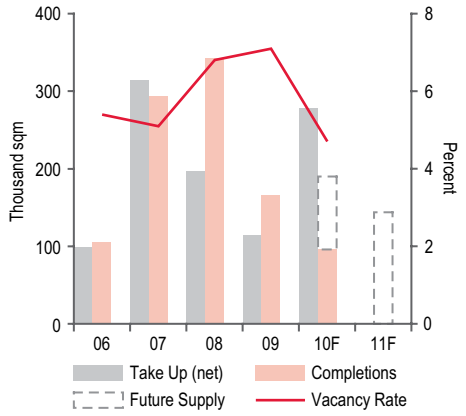
Looking ahead, we expect leasing demand to continue to strengthen. With concerns of below par economic growth in some Western economies, an increasing number of multinational firms are turning their attention onto Asia for growth. We also expect the emerging decentralisation trend to gather momentum, especially as the rental gap between core and non-core area markets widen further. Central, will however, still enjoy relatively strong levels of demand, especially from smaller-to-medium sized banking and financial services companies who need to leverage on their office address and whose size requirements are better able to absorb the higher rents. Along with declining vacancy rates, we expect rents to continue to trend higher over the next 12 months. In the investment market, the prospect of further rental growth will justify investors entering the market despite capital values in some districts already being at historic record highs.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	HKD 49.8 psf pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	4

^ net effective, on NFA

12-Month Outlook	
Rental Value	Capital Value

Taipei: Grade A Office

Demand

In 3Q10, the overall vacancy rate edged up to 16.3% due to negative take-up primarily in Xinyi and the non-core sub-market. The vacancy rate in Xinyi increased to 20.7% from 19.7% in 2Q10, while vacancy in the non-core sub-market increased to 15.2% from 13.2% in 2Q10.

In Dunhua South, vacancy rates declined by 0.6 percentage points as landlords secured tenants. In addition, some tenants expanded in 3Q10. In Dunhua North, the majority of the vacant space in Taipei Financial Center, totalling 3,000 ping (9,900 sqm), was taken up by the landlord for self-use.

The non-core sub-market is expected to continue to feel the effects of decentralisation due to the competitiveness of the city fringe in terms of building age and location as well as accessibility to the MRT line.

Supply

No new supply entered the market in 3Q10. Construction on the Shin Kong Lot A12 development continued and is due to be completed in 4Q10. This mixed-use development comprises of 11,000 ping (36,400 sqm) of office space for lease and a Le Meridien Hotel with 9,000 ping (29,700 sqm) of space.

Asset Performance

The onset of the global downturn in 2008 saw rents declined for six consecutive quarters. However, since 2Q10 they have been recovering. In 3Q10, rents edged up 0.3% to average NTD 2,386 per ping per month (USD 23.1 per sqm per month). Indications are this recovery will continue in the near future though increases will be limited while vacancy remains high.

Capital values for office properties reached historical highs, with gross yields declining below 2.8%.

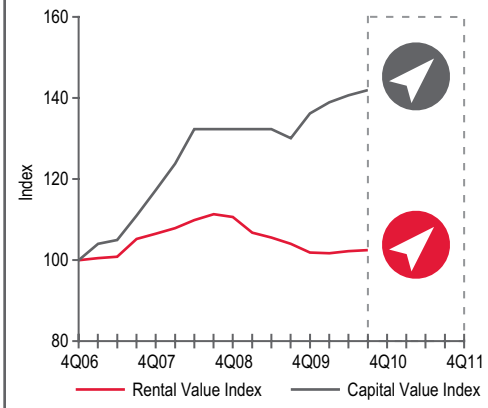
Strong demand from insurance companies continued to drive capital value growth. For example, Taiwan Life, purchased Chin-Fon Bank's headquarters, for a record price of NTD 2.56 Billion (USD 82.05 million) which translated to a gross yield of 2.5%. In addition, due to the limited availability of income producing properties for sale and high prices, some insurers actively sought to acquire land for development.

12-Month Outlook

Although the global economic recovery is expected to slow in 2H10, the outlook for Taiwan's economy remains positive with Global Insight raising its GDP growth forecast for 2010 from 6.6% to 8.4%. Supporting the positive outlook, unemployment has been declining, falling from 5.8% in 2009 to 5.3% in 2010, while benchmark interest rates remain low at 1.5%. Furthermore, Taiwan should benefit from higher exports from the recently signed Economic Cooperation Framework Agreement (ECFA) with Mainland China.

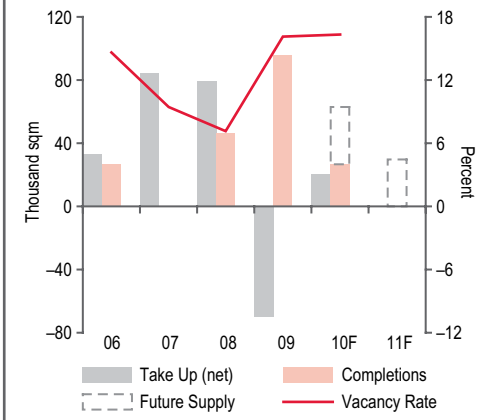
Over the long term, leasing demand is expected to pick up further. Rentals are expected to continue recovering, in line with increased demand while gross yields should also recover to a reasonable level. Overall, while there is still some uncertainty, the outlook is increasingly becoming more optimistic.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rate are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	NTD 2,386 per ping pm
Stage in Cycle	Rents flat
No. of Quarters Since Last Peak	8

^ gross achievable, on GFA

12-Month Outlook	
Rental Value	Capital Value

Bangkok: CBD Grade A Office

Despite new lettings and expansions that occurred during 3Q10, consolidations and relocations carried on, albeit not widespread. Rents continued to decline as the recovery in office demand remained subtle.

Demand

Although leasing activity has resumed after political demonstrations ended in May, new office demand has not recovered to the levels seen before 2006. During 3Q10, net absorption totalled -434 sqm, resulting in a YTD total of -1,650 sqm. With demand in the CBD Grade A office market remaining relatively flat and no new supply completed over 3Q10, the vacancy rate remained unchanged at 19.5%.

Following the relocations of large occupiers such as Citibank and SCB-affiliated companies in 2Q10, some consolidations and relocations by firms in the finance and banking industries continued to occur. No major movements were witnessed in the market with only small to medium-scale expansions and new lettings of less than 1,000 sqm taking place.

Supply

The total supply of CBD Grade A office space remained unchanged during 3Q10 owing to the lack of new completions. A total of approximately 80,000 sqm of Grade A office space from Sathorn Square and Sivatel is scheduled for completion in 4Q10 which will take total stock to 1.33 million sqm by end-2010.

Asset Performance

With low pre-commitment rates in buildings under construction and the demand recovery lagging the broader economic recovery, rents remained under pressure. Landlords were more accommodative in terms of both rentals and rent-free periods in 3Q10. The average gross rent dropped by 1.6% q-o-q to THB 624 per sqm per month. In line with the rental decline and yield compression of 9 basis points, capital values fell marginally by 1.0% q-o-q to THB 70,372 per sqm.

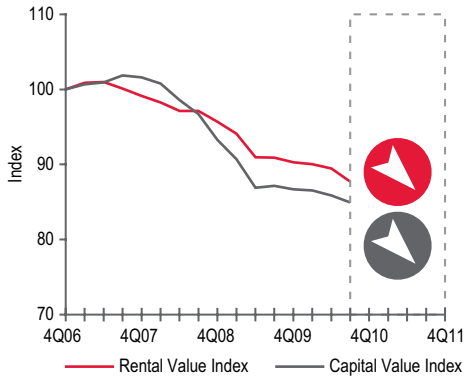
Only one non-prime office building was sold in 3Q10. Silom Center, located at the corner of the Silom-Rama IV intersection, has a retail portion that used to house Robinson Department Store. The remaining seven-year leasehold rights and a renewal option for another 20 years were transferred to Thai Property for more than THB 400 million

12-Month Outlook

The economy's strong recovery in 1H10, up by 10.6%, led to many institutions raising their 2010 GDP forecast to 7-8%. Starting in July, The Bank of Thailand twice increased the policy rate by 25 basis points to 1.75%. The surge in capital inflow into the Thai bond and stock markets led to the Thai baht appreciating by almost 10% YTD, sparking concerns on export growth.

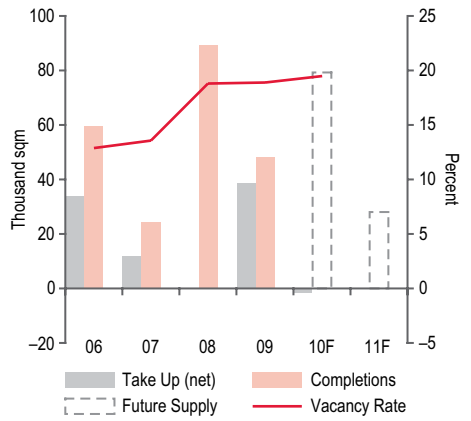
Despite the strong economic recovery that is expected for the remainder of 2010, the recovery in office demand is expected to lag. While no commitment has been reported for Sathorn Square and Sivatel, which are set to enter the market by end-2010, rents are expected to remain under pressure, while the vacancy rate is forecast to increase to above 20%.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	THB 5,915 psm pa
Stage in Cycle	Decline slowing
No. of Quarters Since Last Peak	13

^ net, on NLA

12-Month Outlook	
Rental Value	Capital Value

Ho Chi Minh City: Office

Demand

Ho Chi Minh City's and Vietnam's economies were growing strongly in 3Q10. National GDP growth rebounded to 11.6% q-o-q or 11.2% for the first nine months of 2010. This compares to 10.5% and 6.1% in the first nine months of 2008 and 2009, respectively. However, the registered FDI in real estate decreased by 55% after growing by 83% and 78% in 1Q10 and 2Q10, respectively.

In the Ho Chi Minh City Grade A office market, over 15,700 sqm of space was absorbed in 3Q10, the highest recorded in eight quarters. The majority of leasing transactions comprised of new leases, relocations and expansions of existing occupiers on the back of a positive economic outlook.

However, the pickup in demand was offset by the completion of Vincom Centre, and as such, vacancy rose to 35.6%, the highest since 2006.

Supply

Vincom Centre was partially ready for occupation in 3Q10. This new project has over 65,000 sqm of office space accounting for one-third of the total stock in the Ho Chi Minh City grade A office market. Supply will remain challenging with the completion of Bitexco Financial Tower (approx. 38,000 sqm, net) in 4Q10. The completion of these two buildings will double the size of Ho Chi Minh City's Grade A office market.

In 2012, the office market is expected to witness new stock totalling about 54,000 sqm. These additions will come from developments currently under construction. However, they may start pre-leasing to achieve better occupancy rates in the first year of operation.

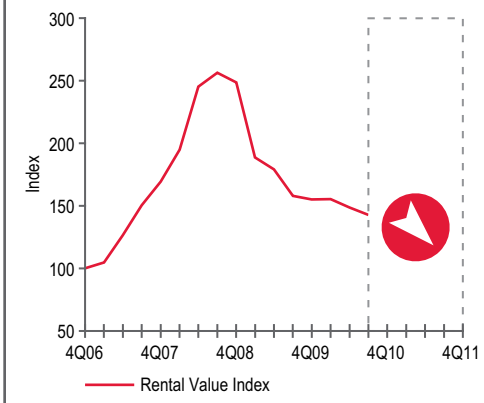
Asset Performance

The downward trend of Grade A office rents in the Ho Chi Minh City office market continued in 3Q10 after stopping briefly in 2Q10. The average rent in 3Q10 decreased 3.9% q-o-q, taking the total decline for the first nine months of 2010 to 7.9%.

12-Month Outlook

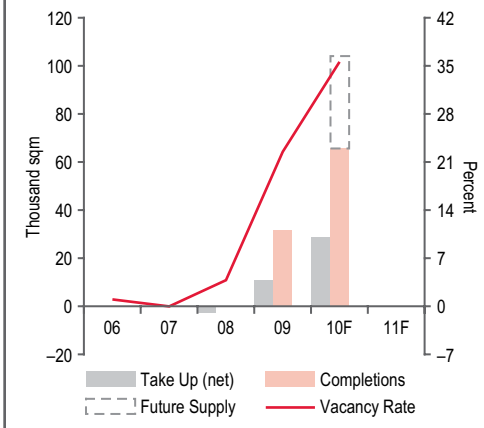
New supply of approximately 38,000 sqm from Bitexco Financial Tower is expected to enter the market in 4Q10 and add to vacancy. While rents have already declined significantly since the onset of the downturn and demand is recovering, there is room for further rental correction as landlords compete to attract tenants to newly completed buildings.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	USD 554 psm pa
Stage in Cycle	Decline slowing
No. of Quarters Since Last Peak	8

^ net effective, on NLA

12-Month Outlook			
Rental Value		Capital Value	NA

Manila: Makati CBD

Demand for Prime and Grade A office space continued to recover in 3Q10, buoyed by the off-shoring and outsourcing (O&O) sector alongside the improving outlook on the Philippine economy. In addition, the growing optimism and resurging business confidence have contributed to the upbeat performance of the office sector.

Demand

The total net absorption in 3Q10 increased more than twofold to 69,742 sqm from 32,857 sqm in the previous quarter. This increase was a result of the growing demand for Prime and Grade A offices in the Makati CBD and the Bonifacio Global City areas as many O&O firms and financial institutions have regained their interest in the sector.

Several tenants in the Makati CBD are still looking to relocate to Bonifacio Global City due to more flexible terms given by landlords coupled with superior infrastructure and facilities. Within the Makati CBD, tenants located in older developments are still looking to upgrade to Prime and Grade A buildings before the anticipated recovery of rental rates over the next few quarters.

Some significant lease deals include an O&O firm leasing 3,690 sqm at W Office in Bonifacio Global City, another O&O company renewing its lease of 5,334 sqm in Robinsons Summit Center in the Makati CBD and an insurance company leasing 3,060 sqm in Petron Megaplaza.

Supply

Total office stock in 3Q10 increased by 43,120 sqm with the completion of One Global Place in Fort Bonifacio and World Finance Plaza in McKinley Hill. Completions picked up as developers capitalised on the recovery of leasing demand over recent quarters.

Despite the entry of new supply, the vacancy rate declined to 6.8%, the lowest vacancy recorded since the global economic downturn.

Asset Performance

The average rental rate in 3Q10 increased 0.5% q-o-q or 1.8% y-o-y to PHP 7,498 per sqm per annum. This increase is reflective of the growing demand for office space as the market continues to recover.

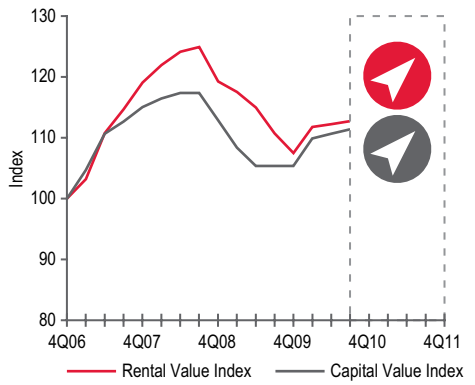
Capital values increased to average PHP 74,000 per sqm in 3Q10 with yields ranging from 10.0–10.2%.

12-Month Outlook

The Philippine economy is expected to maintain its robust recovery from the recent global economic downturn. Demand for office space will still be mainly driven by the O&O sector. This growth is projected to impact positively on rental levels and capital values over the next 12 months.

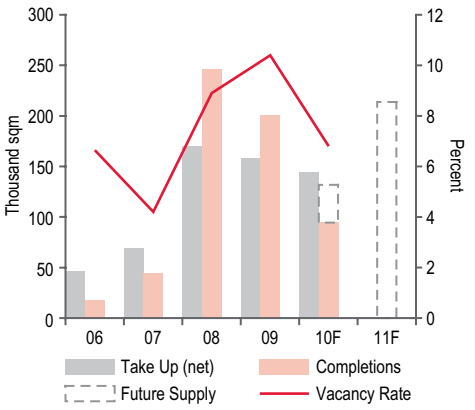
The future stock of Prime and Grade A office space is estimated to reach 116,270 sqm in the next 12 months on the back of supply additions in the Bonifacio Global City. Contributing to these additions will be the Lima Building which alone will add 50,000 sqm of office space when completed in 3Q11.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 amd 2011.

Rental Information	
Rental Value^	PHP 7,498 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	3

^ net effective, on NLA

12-Month Outlook			
Rental Value		Capital Value	

Kuala Lumpur: Office

Demand

Demand for office space in the city centre remained stable in 3Q10 and was dominated by local companies.

The Kuala Lumpur office market continued to register positive net absorption in 3Q10 which led to a decrease in vacancy from 11.9% in 2Q10 to 10.8% in 3Q10.

Leasing activity remained stable in 3Q10 with several tenants relocating and expanding. Net absorption totalled 18,166 sqm. The major contributor to the net absorption was HSBC's expansion at HSBC Annexe (Quill 6) in the Central Business District. Also contributing to this was Mustang Malaysia Sdn Bhd and Samsung Electronics Sdn Bhd which moved into space at The Icon (East Wing and West Wing) in the Golden Triangle. Several companies relocated to G Tower such as Micro Lynx, KFH Research, Transmode, GDS International, Basset Asia Sdn Bhd and Goldis Bhd.

Supply

The total existing supply of prime office space in the city centre remained at 1.7 million sqm in 3Q10 as no new office building was completed.

Supply is expected to increase by the end of 2010 due to the anticipated completion of four office buildings in 4Q10. These four buildings are Menara Worldwide, Hampshire Place, Menara MAIWP and Capital Square Office Tower 2 with a total net lettable area of approximately 136,000 sqm.

Asset Performance

The average net rental marginally declined by less than 1.0% q-o-q and by 2.4% y-o-y. As the leasing market remained competitive due to the introduction of new supply, the majority of landlords maintained rentals at existing levels or where vacancies were high, reduced rentals or provided higher incentives.

The average capital value increased very marginally from MYR 7,714 per sqm in 2Q10 to MYR 7,720 per sqm in 3Q10. No prime office buildings within the city centre were transacted in 3Q10.

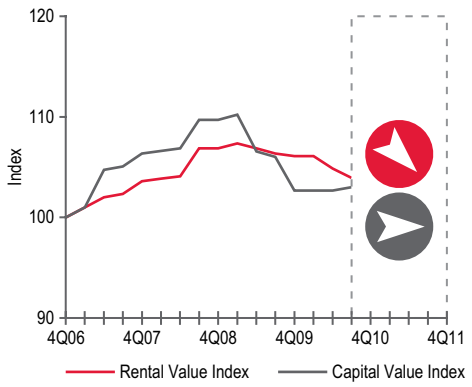
12-Month Outlook

The average vacancy rate in the city centre is expected to rise towards the end of 2010 as demand is not expected to match the incoming supply. Moreover, some buildings completed within the last two years still have relatively low occupancy. These landlords are expected to increase incentives to remain competitive and attract tenants amid the growing competition from new buildings nearing completion.

Demand growth is expected to be limited and leasing activity will be in the form of tenant upgrading from older buildings. The more modern office buidlings, some equipped with green features, offered at competitive rents will remain attractive to prospective tenants wishing to upgrade.

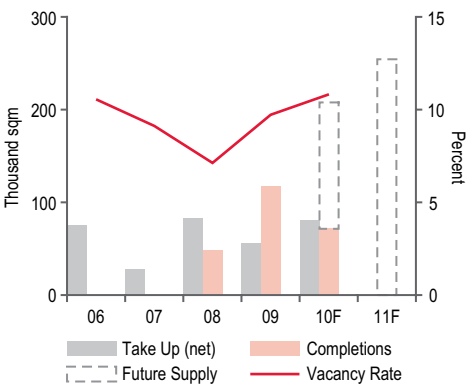
The investment market remains active with capital values generally stable. Due to the limited prospects for rental growth, investors, particularly foreign investors are expected to remain cautious. Local investors, who tend to be less speculative and more long term minded, will continue to dominate the market in 2011.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang Wootton

Physical Indicators



Source: Jones Lang Wootton

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	MYR 618 psm pa
Stage in Cycle	Rents decreasing
No. of Quarters Since Last Peak	6

^ net, on NLA

12-Month Outlook	
Rental Value	Capital Value

Singapore: Office Market

Demand

Demand for space in the CBD area continued to increase in 3Q10, which led to a temporary shortage of office space in the market during the quarter. In Raffles Place, only about 2.6% of space was available for immediate lease as at end-3Q10. Together with about 3.7% of net space being left behind by tenants relocating to new developments that came on stream during the quarter, the effective 3Q10 vacancy rate stood at 6.3%.

Demand for space is now apparently spreading from the top-tier Prime Grade A segment to the lower-tier investment-grade segments. Several good-quality buildings in these segments saw existing tenants expanding as well as new tenants coming in, thereby absorbing a major portion of the space available for lease.

Activity on the pre-leasing front increased steadily during 3Q10 and was centred on upcoming projects due in 2011. Ocean Financial Centre, 50 Collyer Quay and Asia Square Tower 1 all saw strong increases in leasing negotiations and agreements. The total pre-leasing rate for new supply in 2011 is now estimated to be in the 25–30% range, up from slightly over 20% in 2Q10.

Supply

Marina Bay Financial Centre (MBFC) phase I in Raffles Place and Tokio Marine Centre in Shenton Way were added to office supply in the CBD area, with both developments reported to be fully pre-leased upon completion. While the former will house major anchor tenants such as Standard Chartered Bank, BHP Billiton, Barclays and Nomura, the latter will mostly accommodate Tokio Marine Insurance.

Asset Performance

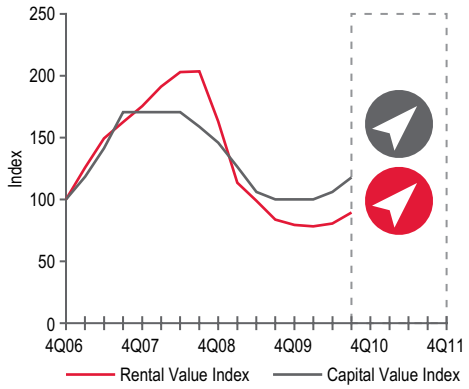
Spurred by the current temporary shortage of space, office rentals grew strongly in 3Q10, with some landlords in the market achieving double digit rental growth rates. Net effective rentals in Raffles Place increased 10.9% q-o-q to reach SGD 884 per sqm per annum in 3Q10. Capital values in Raffles Place also recorded strong growth, while yields continued to firm slightly.

After a relatively quiet second quarter, investment activity in the office market became heated in 3Q10. The most notable transactions during the quarter included Goldman Sachs-linked real estate funds selling DBS Building and Chevron House to Overseas Union Enterprise and a fund managed by Deka Immobilien for SGD 870.5 million and SGD 547.0 million, respectively.

12-Month Outlook

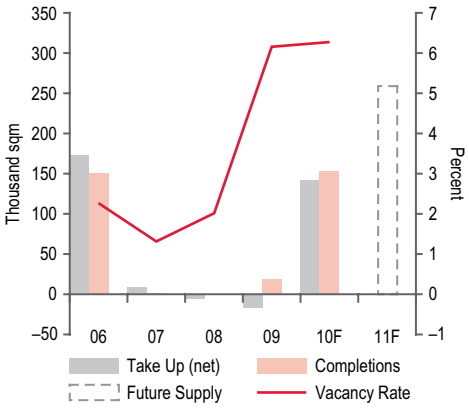
Although vacancy is expected to hit double-digit territory in 2011 when new supply comes on-stream, demand is expected to remain fairly healthy over the next 12 months. Hence, rental values and capital values are likely to continue increasing accordingly.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rate are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	SGD 884 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	2

^ net effective, on NLA

12-Month Outlook	
Rental Value	Capital Value

Jakarta: Investment-Grade Office

Demand

The pace of leasing activity in the investment-grade office sector quickened in 3Q10 as reflected by a larger number of enquiries for office space. Demand soared due to tenant expansions, relocations and consolidations. Financial and energy companies were reported to be the most active industries in the market. During 3Q10, the CBD market managed to absorb around 58,000 sqm of office space, a net increase of around 79% from the previous quarter. The majority of the take-up activity took place in newer buildings such as Bakrie Tower, Cyber 2 and Equity Tower. Sime Darby completed its relocation to The Plaza and started operations in August 2010. Several transactions involved new tenants and tenant expansions. With strong, rising demand, vacancy declined to 19.9% in 3Q10 from 20.6% in 2Q10.

Supply

New supply came solely from the completion of Bakrie Tower in Rasuna Epicentrum, a notable mixed-use development in the Kuningan area. As the completion of Bakrie Tower had been scheduled in early 2010, expectations had been looming over the last two quarters. The project brought around 55,000 sqm of office space to the market, the majority of which is planned to be occupied by Bakrie Group. With the additional supply that entered the market, the cumulative supply rose to approximately 2 million sqm.

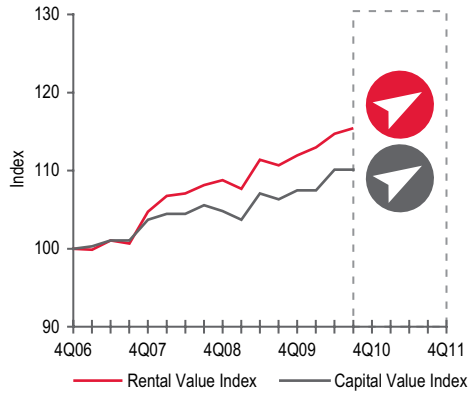
Asset Performance

No significant changes were seen in rentals as landlords remained reluctant to increase rents in view of the tight competition and large amount of supply. Newer buildings were still offering attractive rental rates to lure more tenants. Landlords were also willing to negotiate and offer special rental packages to major tenants. In addition, only slight adjustments were made to service charges as several landlords were still assessing the rates. With no changes applied, the average rent in 3Q10 stayed at USD 122 per annum.

12-Month Outlook

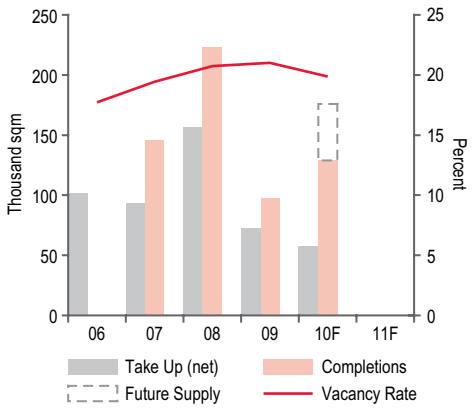
In contrast to the difficulty witnessed in 2009, the office market has enjoyed a more upbeat performance in the first three quarters of 2010. Robust demand for office space is expected to flood the market in the upcoming years following the positive performance of national economic indicators. Take-up in 2011 is expected to reach around 125,000 – 160,000 sqm. Vacancy is expect to hover around 20% by end-2010 before declining to around 14% in 2011. The additional supply that is projected to come from Sentral Senayan III in 4Q10 – which is currently in its finishing stage – is set to bring in 47,000 sqm of high-quality office space. As demand is starting to pick up and only limited space remains available in the market, rentals are anticipated to slightly increase in the 4Q10 and grow 5-10% annually in 2011–2013.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2005 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	USD 122 psm pa
Stage in Cycle	Decline slowing
No. of Quarters Since Last Peak	8

^ net effective, on NLA

12-Month Outlook	
Rental Value	Capital Value

Delhi NCR: Grade A Office

Demand

As Delhi prepared itself to host the Commonwealth Games, most infrastructure projects, specifically roads and the Delhi metro were completed, improving access to the CBD and SBD with other parts of Delhi, including the suburbs. Areas which now have better connectivity and infrastructure are expected to become more popular amongst occupiers. We expect to see more occupiers take up space and move to these micro-markets.

The limited availability of good quality buildings in the CBD has resulted in a spill over of demand to the SBD, particularly to the business districts of Jasola and Saket. Both these business districts offer considerable vacant space with good connectivity and at relatively competitive rents, and are attracting occupier interest. The CBD did not witness much transaction activity as there was limited available space. Net absorption of only 3,100 sq ft (288 sqm) was achieved with vacancy declining marginally from 1.3% in 2Q10 to 1.2% in 3Q10. The SBD witnessed a handful of deals in 3Q10 resulting in net absorption of 54,896 sq ft (5,100 sqm). As a result, vacancy in the SBD dipped from 18.7% in 2Q10 to 17.6% in 3Q10. At the overall level, vacancy in Delhi declined marginally from 13.3% in 2Q10 to 12.5% in 3Q10, with the majority of absorption focussed in the SBD.

Key transactions in 3Q10 included:

- LG leasing 6,000 sq ft (557 sqm) in Copia in Jasola, SBD; and
- Diaggio leasing 8,000 sq ft (743 sqm) in Southern Park in Jasola, SBD.

Supply

Neither the CBD nor the SBD witnessed any additional new supply in 3Q10. Omaxe Square in Jasola (SBD) has been further delayed by a quarter to 4Q10. A large part of this building has been leased to Wipro. The total commercial CBD stock stands at 2.13 million sq ft (197,745 sqm), while that of the SBD measures up to 4.7 million sq ft (437,388 sqm).

Asset Performance

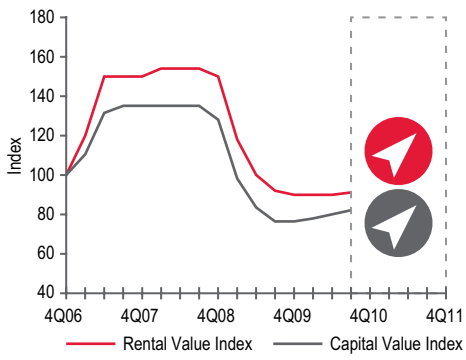
With positive business sentiment and less availability of space, rents in the CBD rose marginally by 1.3% q-o-q from INR 225 per sq ft pm in 2Q10 to INR 228 per sq ft pm in 3Q10. Rents in the SBD micro-market were stable. This stabilisation marks a cessation of rental declines which started in 2009.

In the SBD, rents remained at INR 140 per sq ft per month. Rents in Delhi City are approximately 40–50% below their 2Q08 peak values.

12-Month Outlook

With rents rising marginally in the CBD and holding firm in the SBD in 3Q10, both markets appear to have bottomed out. Going forward, landlords are expected to start increasing rents; however, occupiers are expected to remain cost conscious when leasing space. The SBD is expected to record a good amount of fresh leasing activity. The overall average vacancy of the CBD and SBD should edge downwards pushing rents upwards in 2011.

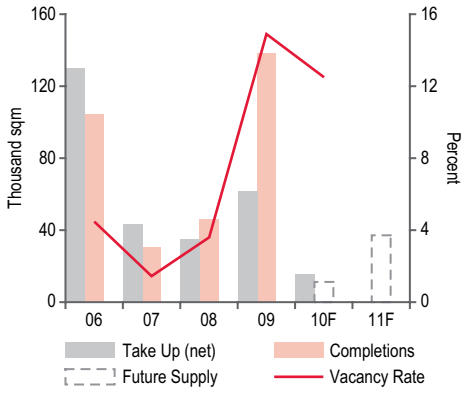
Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Financial Indices are for the CBD.

Physical Indicators



Source: Jones Lang LaSalle

Physical Indicators are for the CBD and SBD.

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information (CBD)	
Rental Value^	INR 228 psf pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	1

^ gross, on GFA

12-Month Outlook	
Rental Value	Capital Value

Mumbai: Grade A Office

Demand

Demand for commercial space in Mumbai continued to improve during 3Q10, similar to the previous two quarters. As Mumbai is the financial capital of India, it is the preferred location for banking, financial services and insurance (BFSI) firms. It is also a favoured front-office location for many firms. Rents in Mumbai's Prime micro-markets are about 30–45% below the previous peak in 3Q08. Reduced asset pricing, improved macroeconomic conditions and strengthened business sentiment have played a key role in driving up demand for office space in the city. Mumbai's Prime micro-markets recorded a total net absorption of 921,121 sq ft (85,575 sqm) during 3Q10.

The city continued to witness increased investment activity during 3Q10. There were a number of outright purchases including an en-bloc purchase of 130,000 sq ft (12,077 sqm) by ICICI Lombard in SBD Central.

Other key transactions in 3Q10 included the following:

- BNP Paribas leasing 113,000 sq ft (10,498 sqm) in Maker Maxity, SBD BKC;
- ANZ leasing 40,000 sq ft (3,716 sqm) in Cynergy, SBD Central; and
- Tata Capital purchasing 130,000 sq ft (12,077 sqm) in Lodha iThink, Suburbs.

Supply

The Prime micro-markets of Mumbai witnessed the completion of four buildings during 3Q10, adding about 1.14 million sq ft (106,374 sqm) of office space. At end-3Q10, the total operational stock in Mumbai's Prime micro-markets stood at 27 million sq ft (2.5 million sqm), with an overall vacancy rate of 8.6%. The notable completions in the quarter were Kaledonia by HDIL and Ackruti Star by Ackruti City, both in Andheri, with built-up areas of 515,000 sq ft (47,845 sqm) and 350,000 sq ft (32,516 sqm), respectively.

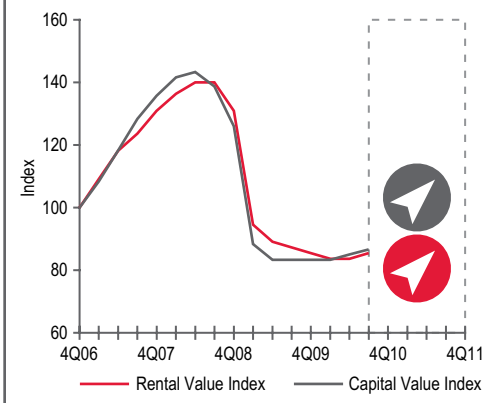
Asset Performance

The movement of capital and rental values was mixed in Mumbai's office market. Premium micro-markets with limited supply like CBD and SBD BKC witnessed a marginal increase (2% q-o-q) in rents during 3Q10, whereas in SBD North and SBD Central, rents remained flat, owing to a substantial supply pipeline. Capital values in the Prime micro-markets increased on the back of strengthening demand. Market yields across these precincts were in the range of 9.8–11.2%.

12-Month Outlook

The volume of transactions is expected increase moving forward on the basis of a large supply pipeline and the expected improvement in market sentiment. Rents have stabilised in most of Mumbai's Prime micro-markets. In addition, the CBD and SBD BKC micro-markets are starting to show signs of recovery. Over the next 12 months, rents in these precincts are expected to remain fairly stable with the possibility of a small increase. However, we expect it to take sometime before rents in SBD Central and SBD North will move upwards due to the substantial supply pipeline.

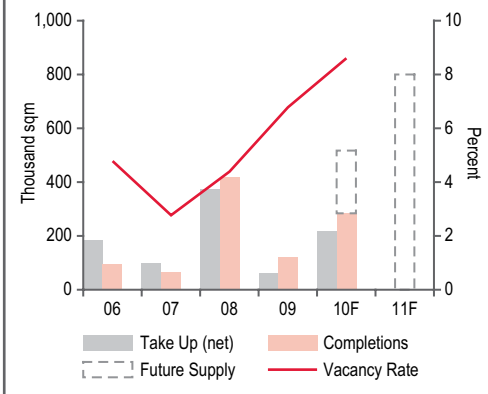
Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Financial Indices are for the CBD.

Physical Indicators



Source: Jones Lang LaSalle

Physical Indicators are for the CBD and SBD.

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information (CBD)	
Rental Value^	INR 235 psf pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	1

^ gross, on GFA

12-Month Outlook			
Rental Value		Capital Value	

Bangalore: Grade A Office

Demand

The Bangalore office market witnessed leasing activity totalling about 2.56 million sq ft (238,430 sqm) during 3Q10 up slightly from 2.45 million sq ft (227,612 sqm) in 2Q10. Improving economic conditions, positive market sentiment and growing corporate expansions are driving office space demand in the city. Bangalore's CBD and SBD micro-markets witnessed net absorption totalling 942,939 sq ft (87,602 sqm) in 3Q10 compared to 611,723 sq ft (56,831 sqm) in 2Q10.

Key transactions in 3Q10 included the following:

- Swiss Re leasing 90,000 sq ft (8,361 sqm) in Vaswani Centropolis, Longford Town, CBD;
- YES Bank renewing 105,000 sq ft (9,755 sqm) in Prestige Obelisk, Cubbon Road, CBD;
- JP Morgan Chase leasing 380,000 sq ft (35,303 sqm) in Prestige Exora, Outer Ring Road, SBD;
- Mu Sigma leasing 70,000 sq ft (6,503 sqm) in Kalyani Platina, Whitefield; and
- Magnasoft leasing 43,000 sq ft (3,995 sqm) in Global Village, Mysore Road.

Supply

A total of 1.1 million sq ft (100,094 sqm) of office stock was added to the CBD and SBD micro-markets in 3Q10. The market witnessed the completion of three buildings – Prestige Dynasty, Vaswani Centropolis in the CBD and Vrindavan Tech Village along Outer Ring Road.

Asset Performance

In 3Q10, the average rental for office space in the CBD and the SBD remained unchanged at INR 74 per sq ft per month and INR 38 per sq ft per month, respectively.

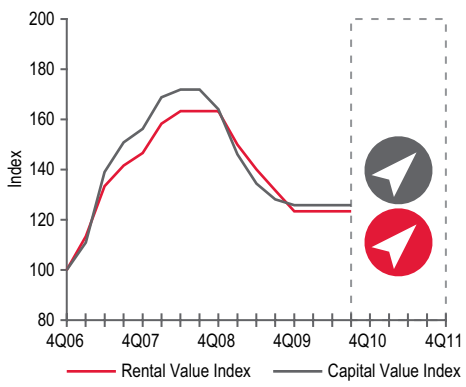
Over the same period, investment yields in the CBD and SBD micro-markets remained unchanged as rental and capital values stabilised.

12-Month Outlook

Over the past several quarters, supply, demand and capital values have stabilised in Bangalore's office market. Net absorption should remain strong in 4Q10 and exceed 4.5 million sq ft by end-2010. The SBD micro-market will continue to be the largest contributor to the overall absorption as the majority of supply is in this precinct.

Over the next 12-months, as market conditions continue to improve, more tenants may want to lock in leases at current favourable terms before the window of opportunity closes and rents begin to rise.

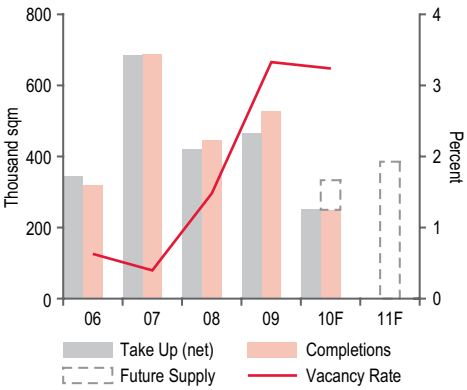
Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Financial Indices are for the CBD.

Physical Indicators



Source: Jones Lang LaSalle

Physical Indicators are for the CBD and SBD.

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information (CBD)	
Rental Value^	INR 74 psf pm
Stage in Cycle	Decline slowing
No. of Quarters Since Last Peak	7

^ gross, on GFA

12-Month Outlook			
Rental Value		Capital Value	

Chennai: Grade A Office

Demand

Demand for office space in Chennai grew steadily during the first three quarters of 2010 and was up from the levels seen in 2009. Improving infrastructure, combined with affordable rents, were the major drivers of demand in Chennai. The market witnessed healthy leasing activity, with most deals recorded in operational buildings as opposed to buildings that were under-construction. This indicates a clear shift in occupier preference towards ready-to-occupy facilities.

Similar to the trend that prevailed in 1H10, 3Q10 continued to witness sustained interest from IT occupiers seeking to consolidate. Chennai's office market witnessed net absorption of about 1.6 million sq ft (150,881 sqm) in the CBD and SBD from 1Q10 until 3Q10. Vacancy inched up marginally to reach 21.5% in 3Q10 from 19.2% in 2Q10. The rise in vacancy was primarily due to the entry of new supply with few pre-commitments.

Key transactions in 3Q10 included:

- Grant Thornton leasing 7,750 sq ft (720 sqm) at Arihant Nitco Park on RK Salai, CBD;
- IGate leasing 22,000 sq ft (2,044 sqm) at Jayanth Tech Park on Mount Poonamallee Road, SBD;
- Abco and Mott Macdonald leasing 31,188 sq ft (2,897 sqm) and 32,740 sq ft (3,042 sqm), respectively, at Tamarai Tech Park in Guindy, SBD.

Supply

Chennai witnessed supply of 890,400 sq ft (82,721 sqm) in the CBD and SBD in 3Q10 which accounted for two thirds of the city's new completions during the quarter. Although most of the buildings slated for completion in the 4Q10 are ready for fit-outs, only a few buildings have recorded pre-leases.

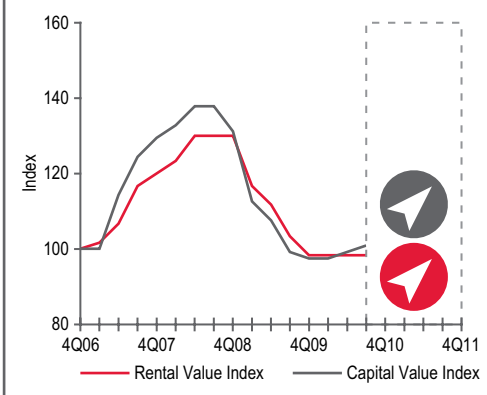
Asset Performance

Rents in 3Q10 remained stable at 2Q10 levels in the Prime micro-markets of Chennai. However, capital values in the CBD and SBD edged up marginally in 3Q10, reflecting more positive sentiment in the investment market. With rents on the verge of bottoming out, along with attractive rent-free periods on offer, occupiers could perceive this to be an ideal time to renew, renegotiate or relocate. The average yields across the CBD and SBD precincts compressed marginally in 3Q10.

12-Month Outlook

The rise in enquiries for office space in the Prime markets of Chennai suggests a potential rise in absorption over the next few quarters. Despite the likely increase in leasing activity in the coming quarters, vacancy is expected to reach new peaks due to the large amount of supply in the SBD, which in turn could exert some pressure on rental values in the near term. Chennai's Prime micro-markets of CBD and SBD are expected to witness additional supply of about 825,646 sq ft (76,705 sqm) in 4Q10. The SBD will account for 76.0% of this additional supply. As a result, the Chennai office market is expected to remain tenant-friendly in the short term.

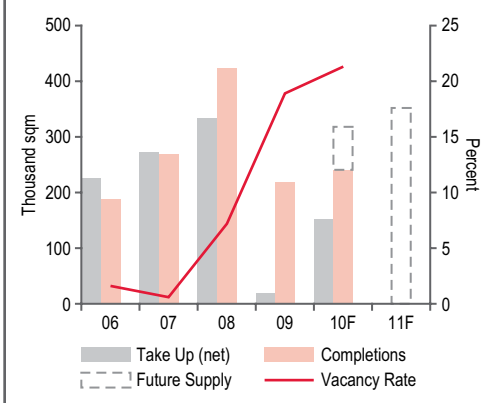
Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Financial Indices are for the CBD.

Physical Indicators



Source: Jones Lang LaSalle

Physical Indicators are for the CBD and SBD.

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is from 4Q10 and 2011.

Rental Information (CBD)	
Rental Value^	INR 59 psf pm
Stage in Cycle	Decline slowing
No. of Quarters Since Last Peak	7

Rental information is for the CBD only.

^ gross, on GFA

12-Month Outlook			
Rental Value		Capital Value	

Sydney: CBD Office

Demand

The leasing enquiry level in the Sydney CBD has picked up 60% on the level recorded in September 2009. Strong positive net absorption has been recorded in Sydney CBD for five consecutive quarters totalling approximately 128,300 sqm (net absorption was 27,600 sqm in 3Q10). The early driver of this was the withdrawal of large amounts of sub-lease space. We have since seen the expansion and consolidation of a number of major firms and a notable increase in take up by smaller spaces users (< 1,000 sqm).

Total vacancy increased marginally over 3Q10 as new developments completed with significant vacancy. The total vacancy rate in the Sydney CBD now sits at 8.1%, equating to approximately 389,900 sqm. Sub-lease vacancy has again declined, down to 57,900 sqm in 3Q10, equating to only 1.2% of total stock.

Supply

Two major projects reached practical completion in 3Q10. Supply totalled 41,600 sqm, with the completion of 420 George Street accounting for 34,600 sqm of this. A total of 27,900 sqm of vacant space was added to the market between these two projects.

There is 229,000 sqm of office space under construction and due to complete by the middle of 2013. This includes projects that have pre-commitments from the likes of Clayton Utz, Freehills, Commonwealth Bank of Australia, ANZ Bank and JP Morgan.

Asset Performance

Prime gross effective rents were stable in 3Q10. Average prime gross effective rents have now stayed around the same level of AUD 542 per sqm per annum since 2Q09. Prime grade incentives average approximately 28.0% on a ten year lease. However, there are signs that incentives are under downward pressure as expected in our outlook. Recent leasing deals in previously vacant high-profile space bodes well for landlords looking to recoup some of the income declines taken as a result of declining market rents in 2008 and 2009.

Investment activity has been solid, with seven major assets transacted in 3Q10 totalling AUD 539.4 million. Notably there was investment by both offshore and domestic groups and a wide range of buyer profiles.

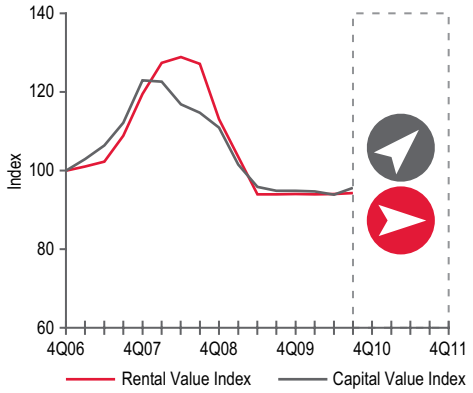
Prime grade yields tightened 25 basis points at the lower end to range from 6.50% to 7.50% in 3Q10. Secondary grade yields firmed 25 basis points at either end to range from 7.25% to 8.25%. The prime capital value index ticked up by 1.9% q-o-q during 3Q10 as a result.

12-Month Outlook

Demand is expected to exceed supply in 2011, resulting in downward movement in vacancy. Prime gross effective rents are expected to record moderate growth in 2011 before picking up strongly in 2012.

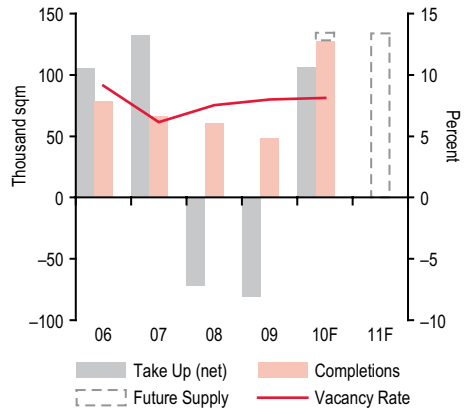
Yields are anticipated to sharpen further in 2011 and 2012 in line with a pick up in market rents and solid investor interest in tightly held Sydney CBD office assets. This will in turn drive a pick up in capital values.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	AUD 543 psm pa
Stage in Cycle	Rents holding firm
No. of Quarters Since Last Peak	9

^ gross effective, on NLA

12-Month Outlook			
Rental Value	➤	Capital Value	➤

Melbourne: CBD Office

Demand

Business confidence rebounded in 3Q10 and leasing enquiries in the Melbourne CBD were up 20% year-over-year in September 2010. Tenant demand continues to surprise on the upside and net absorption totalled 22,900 sqm in the quarter and 97,000 sqm over the past 12 months. Major tenant moves included: ME Bank (9,174 sqm) at 316-364 Elizabeth Street, NAB (7,200 sqm) at 180 Lonsdale Street and Moore Stephens (4,327 sqm) at 530 Collins Street. It was not all positive in 3Q10. Telstra are looking to reduce their occupational footprint in the CBD and consolidated into existing space. As a result, they relocated out of 90 Collins Street (7,000 sqm) and 316-364 Elizabeth Street (7,500 sqm).

The headline vacancy rate increased to 6.6% in 3Q10, but remains below the 10-year average of 7.0%. With businesses seeking to upgrade or consolidate, prime vacancy tightened to 4.3%, while secondary vacancy moved out to 9.7%.

Supply

717 Bourke Street (34,500 sqm) reached practical completion in 3Q10. The project was 100% pre-committed to multiple tenants including Channel 9 (9,000 sqm) and Chartis (6,000 sqm). No further developments are scheduled to be completed in 2010.

There is currently 104,200 sqm of space under construction and scheduled to complete in 2011 and 2012. The pre-commitment rate appears low at 58%, but the bulk of the uncommitted space is in a refurbishment at 357 Collins Street (30,000 sqm).

Asset Performance

The Melbourne CBD is in the early upturn stage of the rental cycle. Prime gross effective rents increased by 1.2% q-o-q to AUD 401 per sqm per annum in 3Q10. In the first nine months of 2010, prime gross effective rents have increased by 8.2%.

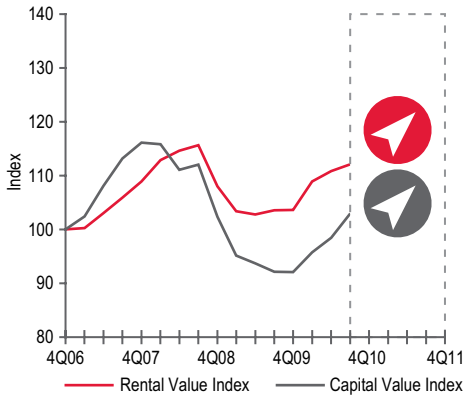
Prime equivalent investment yields tightened by 25 basis points in 3Q10. They now range from 6.75% and 8.25%. Secondary yields tightened by 25 basis points at the lower end and now sit between 7.50% and 9.50%.

Recent sales evidence has supported the compression in prime yields. In 3Q10, CLSA Capital Partners acquired 485 LaTrobe Street for AUD 140.1 million, reflecting an initial yield of 7.84%. Also in the quarter, a private investor purchased the Channel 7 building at 160 Harbour Esplanade for AUD 54.2 million, reflecting an initial yield of 7.64%.

12-Month Outlook

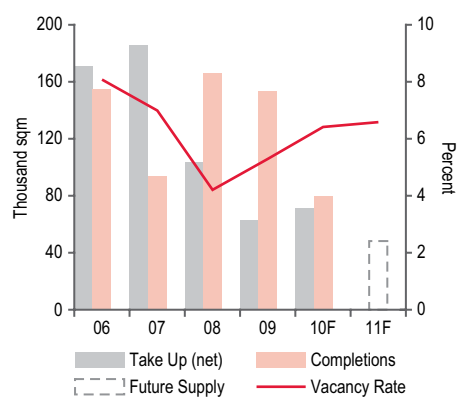
The lead indicators for the Melbourne CBD continue to improve. Leasing enquiries are up 20% (year-over-year) in September and job advertisement surveys point towards strong employment generation over the next six to 12 months. Prime grade vacancy (4.3%) is low for this stage of the recovery and with minimal completions until 2013, prime gross effective rents are forecast to record a period of above trend rental growth over the next 12 months. Based on historical valuation benchmarks, prime assets remain in good value territory and yields are forecast to tighten further over the next 12 months, in anticipation of above trend rental growth.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	AUD 401 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	5

^ gross effective, on NLA

12-Month Outlook	
Rental Value	Capital Value

Brisbane: CBD Office

Demand

Tenants' confidence bounced back in 3Q10, after leasing decisions were inhibited last quarter by uncertainty surrounding the global economic recovery, local mining taxation arrangements and the recent federal election. Strong net absorption of 24,800 sqm was recorded in the quarter, taking net absorption for the year-to-date to 44,800 sqm. Demand in the quarter was dominated by several large commitments to secondary space. This included the Brisbane City Council committing to 8,000 sqm in the Transit Centre, Central Queensland University taking 5,187 sqm at 160 Ann Street and the Department of Health and Aging taking 3,300 sqm also at 160 Ann Street. This increased take-up of secondary space reflects the fact that rental levels are now relatively attractive to tenants again after significant declines over the past 18 months and the fact there is currently a lack of contiguous prime vacancies that could accommodate requirements of this size.

Supply

There were no additions to stock in 3Q10. Three developments totalling 129,800 sqm remain under construction and due to complete by the end of 2012. The first to complete will be Dexus' 123 Albert Street development (38,000 sqm) due in early 2011, while GPT's 63,000 sqm premium grade 111 Eagle Street development is due to complete in late-2011. Conditions remain very challenging for developers and it is unlikely that any further developments will commence over the next few quarters given the amount of supply already under construction.

On the back of the strong net absorption recorded in the quarter, the vacancy rate fell 1.3 percentage points to 9.3%. Prime grade stock is currently 7.0% vacant, while secondary stock vacancy fell from 12.9% to 11.1% in 3Q10.

Asset Performance

Prime CBD face rents fell 0.6% q-o-q in 3Q10, while the average level of leasing incentives increased to 29 months rent-free on a 10 year lease. As a result, prime gross effective rents fell 2.7% q-o-q in the quarter and are now 45% below their peak in 2Q08. Secondary face rents endured a slightly larger fall in the quarter, while average incentives also increased, resulting in a 5.6% q-o-q decline in secondary gross effective rents in 3Q10.

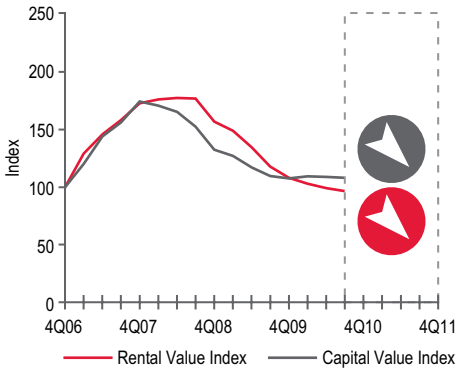
Both prime and secondary investment yields were unchanged in the quarter, now ranging between 7.25% and 8.00% and 8.50% to 9.50% respectively. There was one major (≥ AUD 5.0 million) transaction totalling AUD 287 million recorded in 3Q10 which was the sale of the recently completed Santos House development to a Malaysian buyer.

12-Month Outlook

The level of tenant demand in the Brisbane market in 2010 has surprised on the upside and vacancy is now below where it was forecast to be at year-end. Despite improving demand, the market still has a significant amount of new supply to absorb over the next 18 months and vacancy is likely to rise slightly from current levels. Rising vacancy will keep rents subdued and while they appear near a trough, little change is expected over the next year.

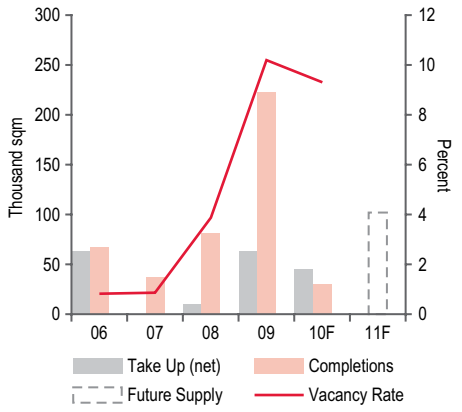
Prime Brisbane CBD yields have now been fairly stable over the past year and capital values are also approaching a trough now that rental levels are starting to stabilise. We expect there to remain strong investment interest from both major local institutional investors and offshore groups in quality stock with a longer weighted average lease expiry. However, interest remains subdued for assets with a shorter lease expiry profile.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	AUD 461 psm pa
Stage in Cycle	Rents falling
No. of Quarters Since Last Peak	9

^ gross effective, on NLA

12-Month Outlook	
Rental Value	Capital Value

Adelaide: CBD Office

Demand

The Adelaide CBD continued to record positive net absorption this quarter on the back of stable tenant demand. Net absorption was 4,300 sqm in 3Q10, compared to 1,100 sqm for the previous quarter. Whilst the volume and quality of tenant enquiries is trending upwards, the time it takes to conclude a deal is still considerably longer than average levels.

Increased levels of leasing activity during 3Q10 has led to a further decline in the Adelaide total vacancy rate of 0.2 percentage points to now stand at 7.6%. This is well below the 15-year average of 12.0%. Furthermore, vacancy for the Core continues to be tight at 6.6%.

Supply

There were no additions to stock this quarter. Other than the two smaller-scale projects completed in 1Q10 (5,400 sqm), no further developments are expected to be completed by the end of the year. Total supply additions for 2010 will be the lowest since 2003 and will also be well below the 10-year average of 19,900 sqm.

The ATO's new headquarters, City Central Tower 8 at 12-26 Franklin Street (36,200 sqm), commenced construction in 3Q10 and is expected to complete towards the end of 2012. The only other project under construction is the new SAPOL headquarters at 130 Angas Street (18,000 sqm), due for completion in the second half of 2011. Development continues to be pre-commitment driven, with these two projects being 99% pre-committed before construction commenced.

Asset Performance

The limited availability of contiguous space and the number of options available to tenants continues to put pressure on rental levels in the Adelaide CBD office market. During 3Q10, gross effective rents for prime stock increased by 1.8% q-o-q to now stand at AUD 333 per sqm per annum. Leasing incentives averaged 18 months (based on a 10-year lease) for the seventh consecutive quarter.

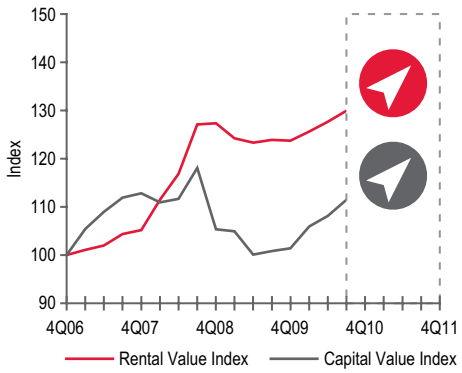
No major sales (≥ AUD 5.0 million) were transacted in Adelaide during 3Q10. The cost and access to debt funding is the single biggest constraint in the current property market in Adelaide. The situation did start to ease mid-year, but has since tightened again with increased global financial market instability being a key driver.

Prime yields tightened for the third time in the current cycle. The prime range tightened by 25 basis points at the upper end to 7.75%–9.50% from the cyclical peak of 8.25%–9.75% in 3Q09. Secondary equivalent yields in the Adelaide CBD remained unchanged in 3Q10 for the sixth consecutive quarter and range between 9.25%–10.75%.

12-Month Outlook

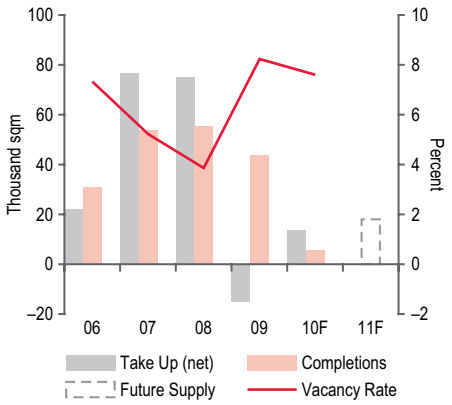
Figures over the past six months indicate demand is improving, with a definite thawing of negative sentiment among tenants and the level of caution slowly disappearing as businesses are becoming more confident about the outlook. Positive net absorption is forecast over the next 12 months as this trend continues. With financing constraints for development continuing to restrict new projects in Adelaide, we expect the supply side to remain tight. This, coupled with stable levels of tenant demand, is expected to see the headline vacancy rate continue to fall. This is expected to see prime gross effective rents trend upwards over the next few years. In turn, the increasing rental profile is expected to see investment yields tighten further in early 2011–2012.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rates are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	AUD 333 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	6

^ gross effective, on NLA

12-Month Outlook	
Rental Value	Capital Value

Auckland: Office Market

Demand

Occupier demand for Auckland CBD Core and Frame office space remained relatively steady over 3Q10. Jones Lang LaSalle's latest office vacancy survey shows an Auckland CBD vacancy rate of 13%, up from the cyclical low of 6% in mid-2008. The amount of vacant office space in the CBD Core and Frame market totalled 128,700 sqm in 3Q10, which is at a 9-year high. A large portion (46%) of the vacant space is in grade B buildings. Our current forecast suggests the Auckland CBD office vacancy rate could reach just over 18% in 2013 if forecast supply levels remain constant and occupier demand remains soft.

Supply

Construction activity was muted over 3Q10 as developers remained cautious, however, the forecast supply pipeline remains elevated. Over the next 12 months, approximately 28,000 sqm will be added to the total stock through the completion of the East Building at Britomart. Ernst and Young, Westpac and Southern Cross Medical Society will occupy the premises. In 2013, there could be up to 30,000 sqm of space completed with the ANZ development on Customs St West. The ASB development with 18,000 sqm of space, which will also be completed in 2013, sits outside the CBD Core and Frame precincts and will be included in the Viaduct Harbour precinct. Manson TCLM's development of the low-rise office park for Telecom continues with completion expected in late 2010. This will provide a further 30,000 sqm of leased office space in the Viaduct Harbour precinct.

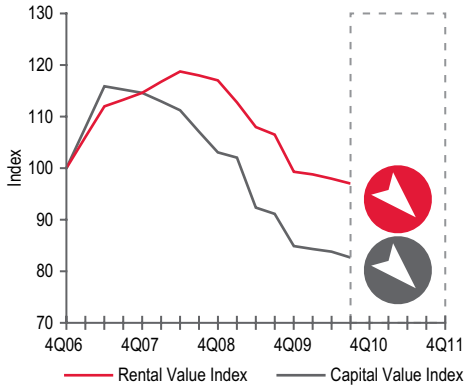
Asset Performance

Net face rents continued to decline, with occupier incentives increasing as a result of the inflated vacancy rate and lack of new occupier demand. Net effective rents have decreased by around 10% over the last year. The average net effective rent for prime buildings currently averages around NZD 364 psm per annum, with incentives around 10%–17%. Prime Core initial investment yields averaged 8.63% in 3Q10, having softened slightly due to a softer investment market. However, upper level Prime yields remain stable at 8%. Generally, investors remain cautious and influenced by wider economic and financial fragility locally and abroad, the rising cost of debt and the recent announcements to changes in structural depreciation deductions for commercial real estate from March 2011 onwards.

12-Month Outlook

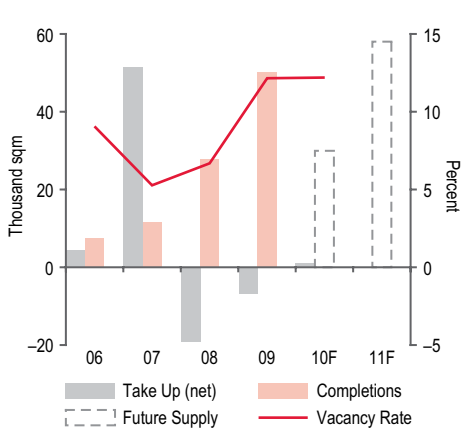
The CBD office sector is likely to experience further challenges ahead, especially if proposed developments are undertaken as scheduled. On the positive side, business growth is expected to occur over the short term with GDP growth forecast to average 2.2% over the next three years. A two-tier recovery is emerging with rents at the lower end decreasing more than the top end. The average face rent is likely to continue decreasing, however, at a slower rate than previously experienced as landlords will concentrate on holding up face rents as much as possible. Incentives are expected to increase as landlords look to try and secure quality long-term tenants. Investors will be on the look out for property with strong fundamentals that de-risks the purchase, and/or provides possible upside through add-value potential.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2010, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rate are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	NZD 364 psm pa
Stage in Cycle	Decline slowing
No. of Quarters Since Last Peak	8

^ net, on NLA

12-Month Outlook	
Rental Value	Capital Value

Beijing: Urban Retail

Strong retail sales growth continued to support retailer expansion in Beijing. Rents increased slightly, while vacancy continued to decrease across the market.

Demand

As a result of thriving economic growth and strengthening consumer confidence in Beijing, demand for retail space remained strong in 3Q10. Net absorption totalled 178,800 sqm, below the amount recorded in 2Q10 but nevertheless a strong result. Vacancy declined to 12.3% in 3Q10 from 14.8% in the previous quarter.

Supporting demand were a number of international retailers, which have quickened their expansion/entry into the Beijing market. For example, China World Mall (Phase III) has attracted more than 80 top international brands, with many opening their first locations in Beijing, including Badgley Mischka. Higher end supermarkets are also actively pursuing expansion and are targeting a broader consumer base. For instance, Ole leased more than 2,000 sqm space in China World Mall (Phase III) while BLT, another supermarket brand under CRC group, is targeting local white collar consumers in the launch of its first Beijing store in Fortune Mall.

High-end book retailers have begun to enter Beijing and are rapidly penetrating the market. Page One, an international bookstore, will soon launch its first store in China World Mall (Phase III) and will be the largest foreign language book store in Beijing. Page One also signed a lease with Indigo, which is being jointly developed by Swire and Sino-Ocean Land and scheduled to open in 2011. Cinemas also continued to expand in Beijing. CJCGV signed a contract with Indigo, and Sulai Cinema will soon begin operation in China World Mall (Phase III).

Supply

Three shopping malls were completed in 3Q10. City Mall, located in Yansha precinct, officially opened in September. Cuiwei Jiamao Shopping Mall, located near Gongzhufen, and Fortune Mall, located in the CBD, both opened and have reached more than 50% occupancy. The completion of these three shopping malls brought 104,000 sqm of new retail space to the market.

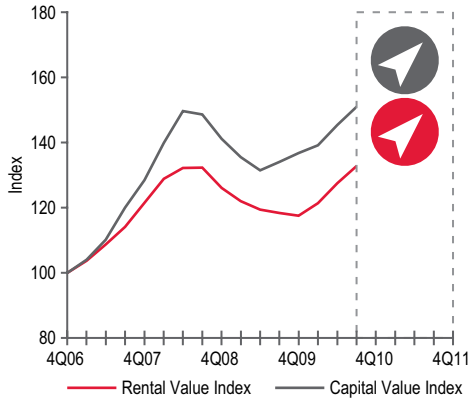
Asset Performance

Though new supply placed some downward pressure on rents, net absorption was particularly strong and vacancy rates declined. Overall, this strong demand led to a moderate increase in rents during 3Q10. Rents increased by 4.3% q-o-q to average RMB 597 per sqm per month.

12-Month Outlook

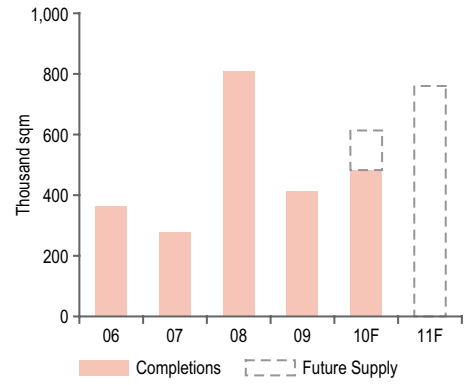
Demand for retail space will continue to grow steadily in 4Q10. The Village (North) and China World Mall (Phase III) are scheduled to be launched in 4Q10, bringing about 130,000 sqm of new supply to the market. Additional projects are expected in 2011. Demand is forecasted to remain solid, allowing vacancy rates to decline further and supporting stable moderate growth of rental prices.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	RMB 597 psm pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	3

^ net effective, on NLA

12-Month Outlook			
Rental Value	↗	Capital Value	↗

Shanghai: Retail

Demand

Demand from both luxury and mid-market retailers for space in the Shanghai retail market remained robust in the third quarter. International luxury brands including Balmain, Céline, Salvatore Ferragamo and Bulgari opened in Shanghai ifc Mall in Pudong this quarter while brands such as MCM, Tom Ford and Roger Vivier opened in various Puxi locations. In addition to these high profile international luxury brands, Shang Xia, a new China-specific luxury brand created by Hermès, opened its first store in Hong Kong Plaza. Mid-market retailers were also active in the market in 3Q10. Ugg Australia debuted in the Shanghai market this quarter, opening its first stores in Hong Kong Plaza and Plaza 66. The long-awaited fast fashion brand GAP finally secured two Shanghai locations. GAP stores are scheduled to open in the CVIC Building on West Nanjing Road and in Hong Kong Plaza on Huaihai Road in 4Q10.

Supply

No new prime retail supply reached full completion in 3Q10. However, Xintiandi Style had a soft opening on the final day of September. With retail space of over 29,000 sqm, Xintiandi Style has secured international fashion tenants such as LeSportsac, Calvin Klein Jeans and Bread n Butter as well as designer fashion brands such as DBHK, Zuczug and La Vie. Bund 27 finished refurbishment and began operating this quarter. Rolex will set up a 1,000 sqm flagship store on the ground level of Bund 27 in space that Saks Fifth Avenue Department Store was previously rumored to have been planning to move into. In the non-prime retail market, SML Central Plaza on top of the Dapuqiao metro station opened this quarter. SML Central Plaza is positioned to target nearby residents with mass market fashion brands and mid-end restaurants.

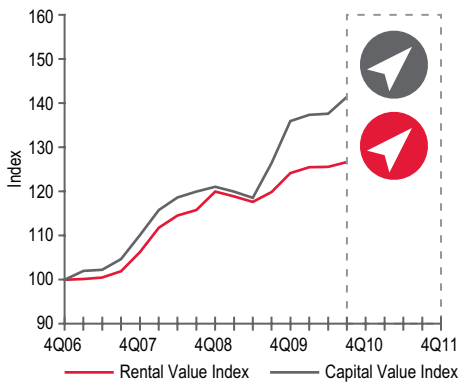
Asset Performance

The average ground floor rent in Shanghai's prime retail market increased by 1.9% q-o-q on a like-for-like basis to RMB 49.9 per sqm per day in 3Q10. The market vacancy rate remained at 0.8%. In the prime retail market, no en-bloc transactions were recorded. Investors remain particularly interested in and active in the non-prime retail market in decentralised areas.

12-month Outlook

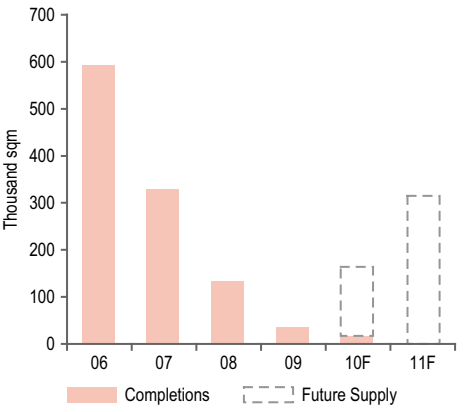
Looking ahead, projects such as Xintiandi Style, Sinan Mansions and the northern part of Phase 2 of Concord Plaza are expected to be delivered in 4Q10. As a result, the vacancy rate may increase slightly next quarter. Demand from fashion retailers is expected to stay strong with more international fashion brands opening in Shanghai in the near future. Prime retail rents are expected to gradually grow over the next twleve months while investment yields will further compress due to the limited amount of tradeable stock in the market.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2005 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	RMB 49.9 psm per day
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	5

^ net, on NLA

12-Month Outlook			
Rental Value		Capital Value	

Guangzhou: Retail Market

Demand

Strong retail sales growth, which were up by 19.4% y-o-y through the first eight months of the year, continued to underpin demand in Guangzhou's prime shopping mall market with the overall vacancy rate tightening by 0.2 percentage points to 3.3% by end-3Q10.

Foreign retailers seeking to expand their footprint in the city were among the most active in the leasing market. Fashion apparel retailer ZARA opened their second store in the city at Tee Mall; fast fashion retailer H&M, along with Miss Sixty, Pepe Jeans and Killah all leased space in Grandview Plaza; while Turkish brand Aylin Aker committed to space in Sky Galleria.

The restructuring of the tenant mix at World Trade Centre in Yuexiu district culminated with the opening of the Friendship Department Store during the quarter. Exclusively focusing on men's wear, the department store includes consignment counters for brands such as Kent & Curwen, D'urban, S.T. Dupont, Satchi and Funnchy. In addition, the quarter also saw the opening of Grandview Kids Park in Grandview Plaza. Located on the fifth floor, previously occupied by Grandview Department Store, Grandview Kids Park is a 15,000-sqm retailing zone dedicated to children wares. Notable brands already with stores include Disney, Toys"R"Us and New Balance Kids.

Supply

No new prime shopping mall projects were completed in Guangzhou in 3Q10. Meanwhile, the upcoming Asian Games has led to several projects being delayed to 2011 with only Onelink Walk in Tianhe CBD likely to open this year.

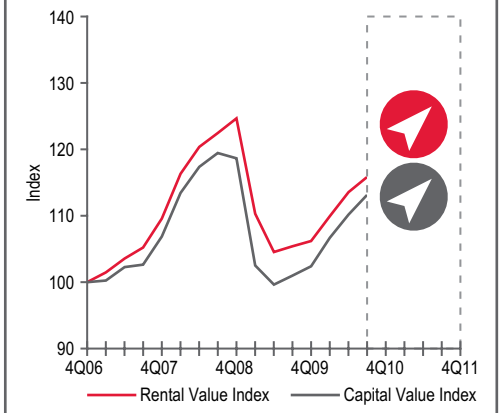
Asset Performance

Buoyed by the pick-up in demand, the overall average rent rose by 2.0% q-o-q in 3Q10. An active strata-titled sales market, including some eye-catching transactions in Zhujiang New Town which sold for as much as RMB 220,000 per sqm, along with rising rents saw capital values rise, on average, by 2.6% q-o-q during the quarter.

12-Month Outlook

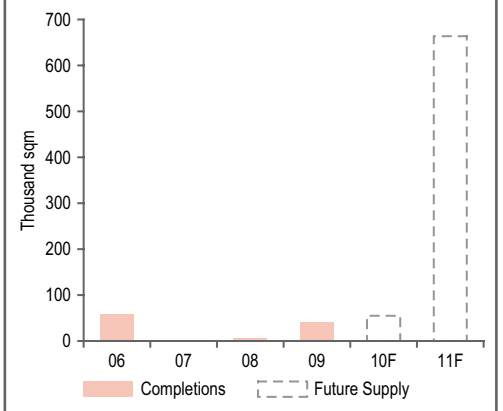
The government's goal of promoting greater levels of domestic consumption is expected to spur more interest in the city's retail property market from both domestic and foreign retailers over the next 12-months. Although the overall vacancy rate is expected to rise on the back of a glut of new supply to be completed in the market over the next two years, we believe demand growth will adequately offset any pressure on landlords to lower rents. Indeed, with most of the vacancy in the market being localised in the city's new shopping malls, we expect rents to continue to rise; largely on the back of the growth in more established malls.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2005 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	RMB 9,225 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	5

^ net, on NFA

12-Month Outlook	
Rental Value	Capital Value

Chengdu: Retail

Demand

In 3Q10, net absorption soared to 147,008 sqm on the back of new supply of 151,022 sqm. Retailers were actively expanding, seeking new locations, particularly around the 2nd ring road. Vacancy, in spite of new supply, declined 0.6 percentage points to 8.0% in 3Q10.

Both luxury and mid range retailers were actively seeking new expansion opportunities in Chengdu. In the luxury market, LV, Dior and Prada opened their flagship stores in Yanlord Landmark while Gucci opened its flagship store in Renhe Spring. Maison Mode, the existing and traditional luxury landmark in Chengdu, continued to attract well known brands such as Brioni and Bottega Veneta. Demand in the mid range segment was similarly strong as ZARA opened it's first store in Ito Yokado in Chunxi precinct, occupying over 1,000 sqm.

Supply

Four retail properties were completed in 3Q10 delivering 151,022 sqm of retail space. This included Yanlord Landmark (44,000 sqm) in the city centre and Renhe Spring Department Store (Rendong Store phase 3, 25,300 sqm) which are targeted at the high-end and luxury market for their prime location. Yanlord Landmark, with the flagship stores of LV, Dior and Prada, has become a retail landmark in Chengdu. Another two completions, Paradise Walk (East, 50,000 sqm) and Chengdu Hualian (31,722 sqm) were located in the east of the city. Similar to other projects along the 2nd ring road, Paradise Walk and Chengdu Hualian were aimed at the mid market, mainly serving their local catchments.

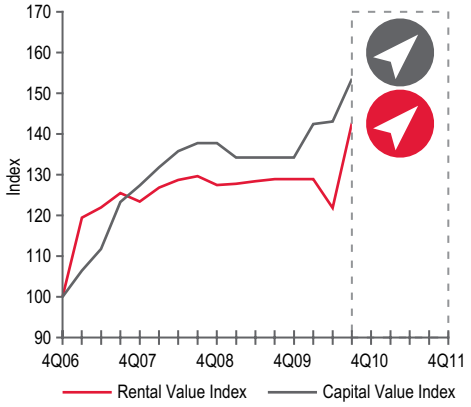
Asset Performance

The average prime retail rent rose 17.2% q-o-q and 10.8% y-o-y respectively to RMB 426 per sqm per month. The significant growth was attributed to the entry of Yanlord Landmark, whose ground floor rent averaged around RMB 800 per sqm per month, far higher than previous market average.

12-Month Outlook

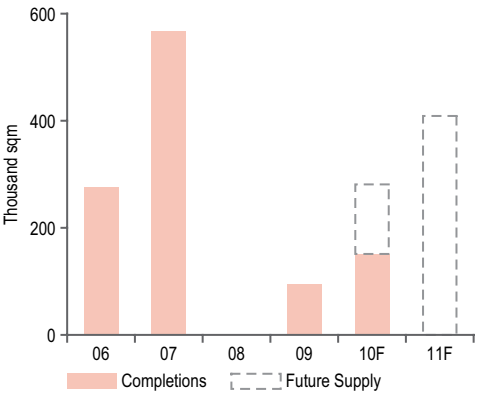
Large new supply totalling over 500,000 sqm is due before end-2011. This will offer Chengdu's consumers more opportunities and a shopping experience never seen before in the city. However, vacancy is expected to rise given the high amount of new supply. Vacancy will be particularly high for projects in secondary locations which are already having difficulties in attracting retailers.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2005 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	RMB 426 psm pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	1

^ net, on NFA

12-Month Outlook	
Rental Value	Capital Value

Hong Kong: Retail

Demand

Strong consumer confidence and rising visitor arrivals continued to fuel Hong Kong's retail property market in 3Q10 with retail sales growing by 18.1% y-o-y through July-August.

Fashion retailers were particularly active in the leasing market. GAP for instance, leased 13,000 sq ft (gross) in the upcoming LHT Tower in Central for their flagship store in Hong Kong and is expected to open in mid-2011. Crocodile snapped up a G/F shop at Soundwill Plaza (880 sq ft), Causeway Bay, for a rent of about HKD1,000 per sq ft per month, while I.T leased a 30,000-sq-ft shop, spread over three floors, in One Hysan Avenue, for a monthly rent of HKD 1.8 million.

Pre-leasing in the upcoming retail portion of The Hermitage (the new phase of Olympian City) in Taikoktsui continued to gather momentum with a number of international brand tenants, such as UNIQLO, H&M, Bershka and Pull and Bear, all committing to space in the shopping mall in 3Q10. The shopping mall is expected to be completed by the end of 2010.

Historically low interest rates and the scarcity of prime shops continued to lure investors' appetite for retail properties. Three notable en bloc transactions recorded during the quarter were the sale of Mongkok Computer Centre (about 23,340 sq ft) for HKD 950 million; Matheson Centre, a semi-retail building in Causeway Bay (about 34,000 sq ft), for HKD 700 million; and MK1 Shopping Centre (about 38,000 sq ft) in Yaumatei for HKD 700 million.

Supply

There was no new supply completed in the prime retail market in 3Q10 though several developments are scheduled to be completed before end-2010; namely, Cubus, a 60,700-sq ft Ginza-styled retail development in Causeway Bay; the retail portion of The Hermitage (146,130 sq ft); and Mikki (205,060 sq ft) in San Po Kong.

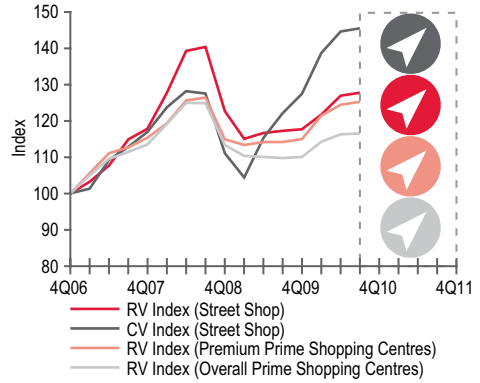
Asset Performance

With rents again closing in on their record highs reached just prior to the Global Financial Crisis, a growing hesitancy in paying higher rents has began appearing among retailers, especially for properties in off-prime locations. Rents for high street shops and overall prime shopping centres edged up marginally by 0.6% and 0.2% q-o-q, respectively. Capital values on the other hand, continued to grow strongly with those of high street shops surging by 7.9% q-o-q during the quarter and dragging average yields down to 3.0%.

12-Month Outlook

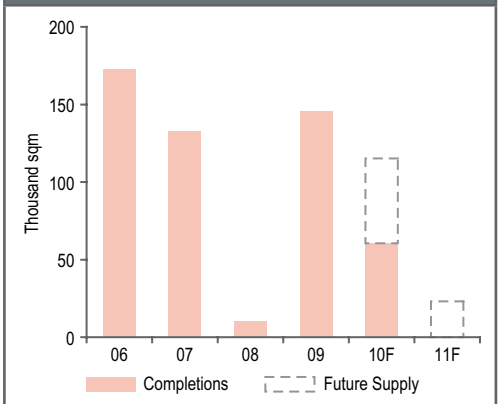
The retail sector will forge ahead in the traditional shopping and in-bound tourism peak periods towards the year-end. The market will be further supported by an improving labour market and the expected expansion of the economy over the next 12-months. The prospective growth in retail sales and the added push of inflationary pressure from increasing import costs of goods from countries with appreciating currencies are expected to drive retail rents up by another 10% in the coming 12-month period.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information (Prime Street Shops)	
Rental Value^	HKD 337.9 psf pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	6

^ net, on GFA

Rental Information (Premium Prime Shopping Centres)	
Rental Value^	HKD 192.7 psf pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	6

^ net, on LFA

Rental Information (Overall Prime Shopping Centres)	
Rental Value^	HKD 97.2 psf pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	4

^ net, on LFA

12-Month Outlook	
Rental Value Prime Street Shops	Capital Value Prime Street Shops
Premium Prime Shopping Centres	
Overall Prime Shopping Centres	

Bangkok: Retail

The Bureau of Trade and Economic Indices' Consumer Confidence Index rose from 13.1 in May to 22.1 in August. Also, figures from the National Economics and Social Development Board show that GDP expanded by 9.1% y-o-y in 2Q10 while the Stock Exchange of Thailand's index rose from 750 points in May to above 900 points in September. These indicators show that Thailand's economy is recovering, boding well for consumption and the retail sector as a whole.

Demand

Domestic household consumption continued to expand, increasing by 6.5% y-o-y in 2Q10 after rising 4.0% y-o-y in 1Q10. Demand in the retail market remained robust, with food, health and beauty product retailers continuing to set up branches in new modern retail centres, particularly in neighbourhood and community malls that have mushroomed in emerging residential locations across the city's fringe areas.

While no vacancy survey was conducted in 3Q10, evidence suggests that vacancy has dipped below the 5.6% recorded in 2Q10 as strong take-up was witnessed in newly completed projects.

Supply

The renovation of the 90,000-sqm Paradise Park, formerly named Seri Center, was completed during the quarter after being acquired through a joint venture between Siam Piwat and MBK Group in 2009. The mall has been repositioned to attract higher-end shoppers on the outskirts of Bangkok in the Outer East.

On 28 September, Central Pattana (CPN) resumed operations at Central World Plaza after its shutdown in the aftermath of the fires set by political rioters last May. The Zen zone, however, remained closed for renovation and is tentatively scheduled to reopen in 2011.

The upgrade of the 56,000-sqm Central Plaza Ladprao, which was initially scheduled for April 2010 and later postponed due to the closure of Central World, is now scheduled to commence in early-2011 over a period of six months.

The total amount of prime retail space in the Bangkok property market reached 3.6 million sqm in 3Q10, including prime specialty retail space totalling 1.3 million sqm.

Asset Performance

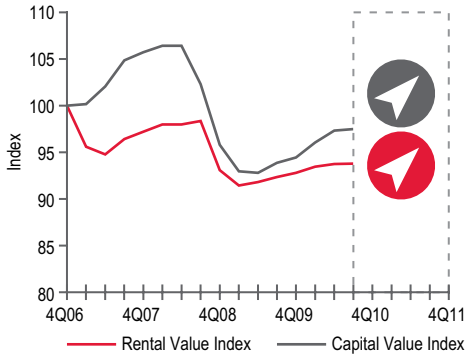
The bidding process for the 40 Carrefour branches currently in the market will likely conclude by year-end. Berli Jucker and Big C Group are two high-profile local candidates that reportedly joined the bidding, while state-held energy company PTT announced its withdrawal from the bidding process.

The average prime retail market rent was relatively flat at THB 20,049 per sqm per annum, up 0.1% q-o-q. In line with rents, capital values slightly increased to THB 155,718 per sqm, up 0.2% q-o-q. Investment yields remained ranging 12.9–13.0%.

12-Month Outlook

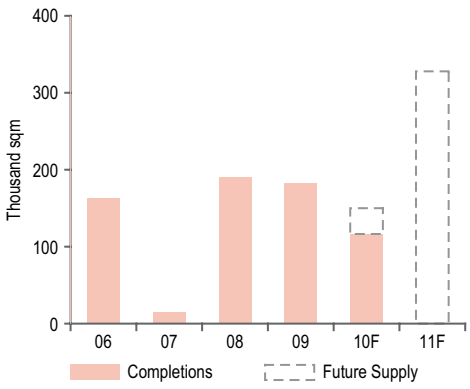
The short-term outlook is being somewhat blurred by the strength of the baht and its potential impact on foreign shoppers in the upcoming year-end high season. However, prices of imported goods for local buyers are declining. While caution remains on the political climate, 2010 GDP growth forecasts have been revised up to around 7.0–8.0%, part of which will be driven by expanded consumption.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	THB 20,049 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	6

^ net, on NLA

12-Month Outlook			
Rental Value	↗	Capital Value	↗

Kuala Lumpur: Prime Retail

Demand

Leasing demand was good and vacancy levels remained low in most of Kuala Lumpur's prime retail centres. However, in the city centre, the average vacancy rate increased by 1.5 percentage points to 9.9%, primarily due to high vacancy in the recently completed Intermark Mall (Phase 1), formerly known as City Square. The mall forms part of a refurbishment/development integrated project which involves Vista Tower (formerly known as Empire Tower), a new office building Integra Tower and Malaysia's first Doubletree by Hilton Hotel (formerly Crown Princess Hotel).

In the suburbs, the average vacancy rate declined by 1.4 percentage points to 4.5%. Consumers continued to favour suburban centres for their location and convenience and consequently demand for suburban retail space remained strong.

Notable leasing transactions included:

- Signature IT, one of two anchor tenants (the other being UNIQLO from Japan which will open in 4Q10), Aldo, Charles & Keith and Vincci opening in Farenheit 88;
- fashion retailer Massimo Dutti and jeweller Swarovski opening outlets in KLCC; and
- "High street" fashion retailer Dorothy Perkins opening in Bangsar Village 2.

Supply

In the city centre, two new completions (renamed, rebranded and refurbished retail centres) were recorded in 3Q10, namely The Intermark Mall (Phase 1) (15,794 sqm) and Fahrenheit 88 (27,871 sqm). Fahrenheit 88, on Jalan Bukit Bintang in the prime shopping belt of Kuala Lumpur, is described as the "rebirth of KL Plaza" and targeted at the young, educated, urban shopper. No further city centre completions are expected in 4Q10.

There were no new completions in the suburbs. One project, SSTwo Mall (43,664 sqm) is expected to be completed in 4Q10.

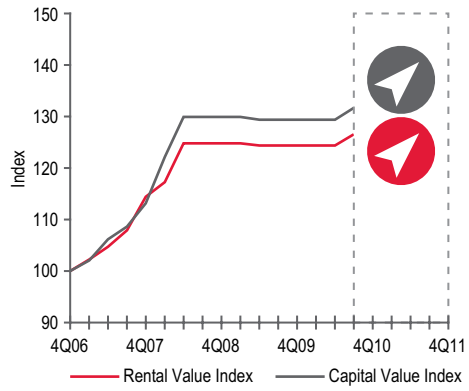
Asset Performance

The average rental and capital value for malls in Kuala Lumpur edged up in 3Q10 after remaining steady for five consecutive quarters. The increase in rental and capital values largely came from a few strongly performing shopping centres which are achieving near full occupancy and have been successful in increasing rents. Rentals and capital values in most shopping centres were steady. Prime retail yields were generally stable and no prime en-bloc transactions were recorded in 3Q10.

12-Month Outlook

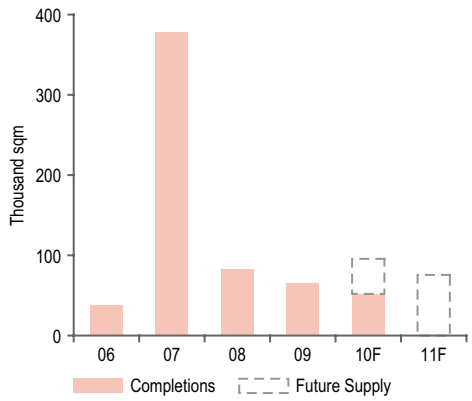
Retailer sentiment is expected to remain upbeat in light of the upcoming festive period and year-end sales. Selective expansion plans announced by established local and foreign retailers and F&B operators suggest demand should remain fairly steady. Coupled with limited new supply in the development pipeline, vacancy in the city centre is expected to remain stable.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang Wootton

Physical Indicators



Source: Jones Lang Wootton

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	MYR 3,347 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	1

^ net, on NLA

12-Month Outlook	
Rental Value	Capital Value

Singapore: Retail

Occupancy rates for all three sub-markets softened marginally in 3Q10. However, movement in rental values varied across the sub-markets, with largest growth seen in the suburban areas while the Orchard and Marina sub-markets experienced either flat or negative rental growth.

Demand

In July, retail sales (excluding motor vehicles) showed an increase of 6.0% y-o-y. Excluding motor vehicle sales, all other retail trades registered expansion. Sales of watches & jewellery, medical goods and toiletries and wearing apparel & footwear recorded the highest growth of between 10.5% and 16.9% y-o-y. Retail sales of department stores, petrol service stations, furniture & household equipment, recreational goods, supermarkets and optical goods & books also grew by between 2.5% and 8.9% y-o-y, reflecting the strength of domestic demand.

Tourism statistics were also positive with visitor arrivals reaching 996,000 in August, an increase of 18.0% y-o-y.

Supply

Apart from the completion of the retail wing at the Fullerton Bay Hotel, no major completions were recorded in 3Q10.

There are two major retail projects expected to be completed by end-2010. Approximately 5,516 sqm of prime retail space from The Grand Park Orchard Knightsbridge is expected to be added to the Orchard submarket by end-2010.

The biggest retail project expected to be completed by 4Q10 is nex at Serangoon Central. This 57,414 sqm development is currently over 95% pre-let, testament to the continual demand for retail space in the suburbs.

Asset Performance

Despite the market euphoria, the three sub-markets recorded different rental movements in 3Q10. While rents in the Orchard sub-market remained stable, occupancy cost in the Suburban sub-market inched up 0.7% q-o-q while rents in the Marina sub-market shrunk by 0.4%q-o-q.

Landlords were observed to be holding back on increasing rentals as tenants sought to consolidate their existing outlets following the glut of new completions in 2009.

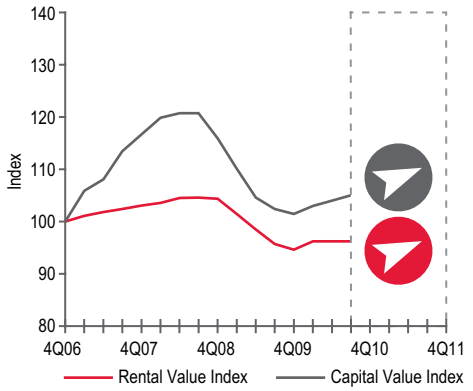
There were no reported major investment transactions in the market in 3Q10. However, investment activity for strata-titled units has been constant. Investors have been observed to look towards bite sized commercial investments to achieve higher rental yields as compared to other sectors.

Average capital values for the Orchard and Suburban sub-markets inched up slightly, compressing rental yields as a result.

12-Month Outlook

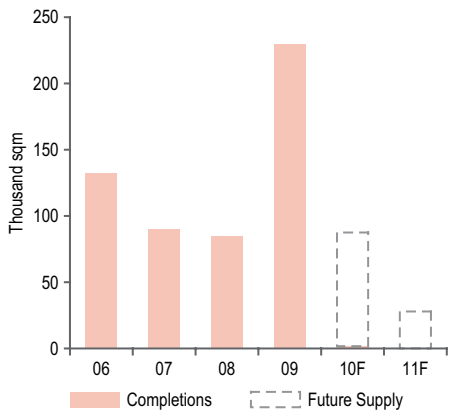
In line with a stable local and regional economic outlook and tighter consumer confidence, rentals for all three sub-markets are expected to remain stable with some marginal upside. Vacancies are likely to stabilise as the market finds its equilibrium a year after the large supply onslaught along Orchard Road.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	SGD 4,255 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	3

^ net effective, on NLA

12-Month Outlook	
Rental Value	Capital Value

Jakarta: Upper-Class Retail

Demand

Facing tough conditions over the past few quarters, the retail market started to rebound as demand began to pick up in 3Q10. A large number of leases were recorded with several notable deals witnessed in newly completed projects. Major retailers began to be active in the market and rolled out their expansion plans. Smaller retailers, mostly from F&B and specialty stores, continued to post strong take-up in the market. Robust demand was recorded in the newly completed Gandaria Main Street and Pluit Village, which finished its renovation in 3Q10. Major tenants in Gandaria Main Street include Lotte Mart, ACE Hardware, Cinema XXI, Electronic Solution and Gramedia. Grand Indonesia also recorded major transactions, including ACE Hardware and Toys Kingdom while Pondok Indah Mall 2 secured Marks and Spencer as a new tenant. Net absorption in 3Q10 increased to 80,000 sqm. however, vacancy rose to 13.3% due to large supply additions.

Supply

Between July and September 2010, two upper grade retail projects were completed namely Gandaria Main Street and the renovation of Pluit Village. The completion of both projects brought an additional supply of 136,500 sqm of retail space to the market. Epicentrum Walk, which was initially scheduled for completion in early-2010, is still in its finishing stage and slated to be completed in 4Q10. Thus, total stock of retail space reached around 1.3 million sqm in the review quarter.

Asset Performance

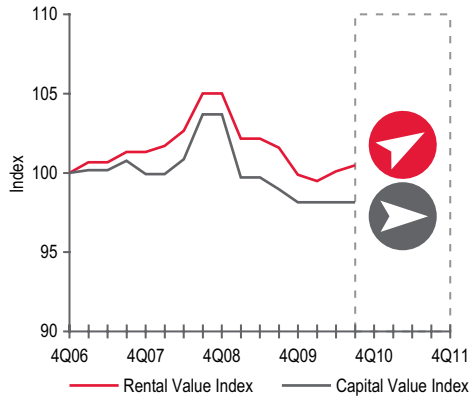
Despite the increase in leasing activity, retail rents in the upper-grade shopping malls in Jakarta remained fairly stable, with net effective rents increasing only 0.4% q-o-q to IDR 4.43 million per sqm per annum during 3Q10. While there was a recovery in demand, strong competition among landlords in attracting tenants persisted. In some projects, landlords continued to offer rental discounts, additional incentives and more flexible payment terms to lure retailers.

12-Month Outlook

The retail market is expected to continue improving due to strong demand from both local and foreign retail players in the coming quarters. However, as new supply enters the market, vacancy is anticipated to stabilize at around 13.3% by end-2010 but steadily decline after as supply moderates.

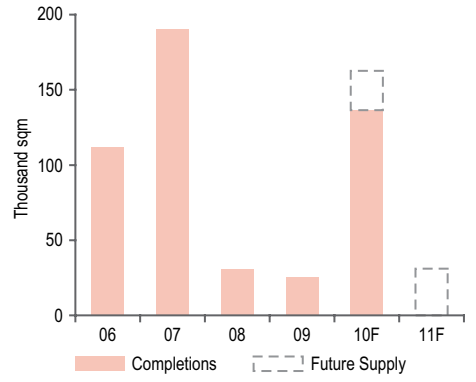
Epicentrum Walk is the only project slated to be completed in 4Q10, adding a total of 26,200 sqm of new retail space to the market. In the next two years, two projects are scheduled for completion. Effective rentals are projected to increase slightly by end-2010 and continue to rise align with the positive confidence in the retail market. Between 2011 and 2013, rentals are expected to grow approximately 4–6% per annum.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	IDR 4,428,335 psm pa
Stage in Cycle	Decline slowing
No. of Quarters Since Last Peak	18

^ net effective, on NLA

12-Month Outlook	
Rental Value	Capital Value

Delhi: Prime Retail

Demand

As business confidence in India rises and economic growth accelerates, large retailers have been resuming their pre-downturn growth strategies. Retailers are beginning to re-focus on expansion strategies throughout the country and in the National Capital Region (NCR). However, they remain very cautious about leasing space in existing malls. They are focusing on existing successful malls but are also evaluating new malls projects in Delhi and the Suburbs.

Overall, take-up in 3Q10 was fairly solid, with net absorption of 548,356 sq ft (50,944 sqm) achieved, largely stemming from pre-commitments in newly operational malls. However, vacancy increased from 24.3% in 2Q10 to 26.4% in 3Q10 as new supply outpaced demand.

Supply

The Delhi NCR retail market witnessed the completion of four malls in 3Q10 – two in Delhi and two in the suburbs. Ambience Mall by Ambience Infrastructure which is located in Vasant Kunj (Prime South) near DLF Promenade and Emporio completed in 3Q10. The mall has a built-up area of 480,000 sq ft (44,594 sqm) and has prominent tenants like Big Bazaar, Shoppers Stop, Lifestyle and Pantaloons. Prime Others in Delhi witnessed the opening of V3S City Centre, developed by V3S Group. Located in Rohini District Centre, the mall has a built-up area of 350,000 sq ft (32,516 sqm) and has Aditya Birla Group's More as its anchor tenant, along with numerous vanilla stores.

In the Suburbs, Gurgaon witnessed the completion of the 100,000 sq ft (9,290 sqm) Niho Scottish Mall by Niho Group on Sohna Road. The mall is completely vacant except for a bank's branch office on the ground floor. The suburb of Faridadad witnessed the completion of the 300,000 sq ft (27,871 sqm) Grand Mall developed by Sewa Group. The shopping centre has only one operational anchor tenant – Big Bazaar – while the rest of the mall is largely vacant. Apart from its retail component, the project also features a hotel.

Asset Performance

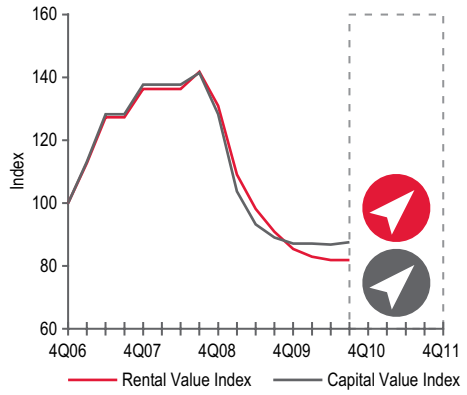
Positive sentiment in rental expectations has begun to percolate from Prime South to other micro-markets. Overall, rents across all the micro-markets remained stable from 2Q10 to 3Q10. This quarter witnessed an arrest of rental corrections, although leasing activity did not pick up significantly. Positive landlord expectations on account of rising tenant queries held rents firm in 3Q10. Rents in Prime Delhi ranged between INR 200–250 per sq ft per month.

12-Month Outlook

The next 12 months should witness a rise in tenant enquiries and lease transactions on account of retailers executing their expansion strategies. Malls in good locations, built by experienced developers and professionally managed will be most in demand and should record healthy absorption.

With a curb on rental correction witnessed in 3Q10, the next couple of quarters will witness a tussle between occupiers scouting for properties at attractive rents and developers attempting to gain by maximising opportunistic demand. A low supply–high demand situation in Prime South could lead to rental growth in these micro-markets. However, malls in Prime Others and Suburbs may witness downward pressure on rents due to high supply.

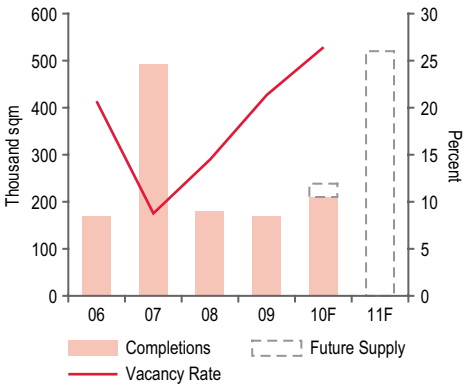
Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Financial Indices are for the Prime Market.

Physical Indicators



Source: Jones Lang LaSalle

Physical Indicators are for all micro markets.

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information (Prime South)	
Rental Value^	INR 225 psf pm
Stage in Cycle	Decline slowing
No. of Quarters Since Last Peak	8

^ gross, on GFA

12-Month Outlook	
Rental Value	Capital Value

Mumbai: Prime Retail

Demand

Retailer demand in Mumbai surged in 3Q10 on the back of a strong economic recovery along with an improved employment outlook. Increased leasing and pre-leasing activity was witnessed, particularly in the Suburban micro-market. The net absorption across all micro-markets of Mumbai totalled 314,403 sq ft (29,209 sqm) in 3Q10 compared to 28,000 sq ft (2,615 sqm) in the previous quarter. The Suburban micro-market alone accounted for 96.4% of the total net absorption in the city. The average vacancy in the Prime precincts declined to 12.5% in 3Q10 from 12.8% in 2Q10. Interestingly, vacancy in the Suburban micro-market increased to 28.2% in 3Q10 compared to 26.4% in the previous quarter. We attribute this to the vacancy in newly operational malls.

Key transactions across Mumbai in 3Q10 included the following:

- Aditya Birla Group's More leasing 60,000 sq ft (5,574 sqm) in Palm Beach Galleria, Vashi, Suburbs;
- Future Group leasing 87,087 sq ft (8,091 sqm) in Infiniti II Mall, Malad, Suburbs;
- Levi's Signature leasing 1,092 sq ft (101 sqm) in High Street Phoenix, Prime South; and
- Titan leasing 450 sq ft (42 sqm) in Vasai, high street location, Suburbs.

Supply

The Mumbai retail market witnessed the completion of two malls – Growel 101 phase II at Kandivali and Kohinoor Mall at Kurla – in the Suburban micro-market during 3Q10. These projects added 649,999 sq ft (60,387 sqm) of retail space to the total retail stock in the city. At end-3Q10, the total operational retail stock in the city reached 13.31 million sq ft (1.23 million sqm), with an average vacancy of 24.2%.

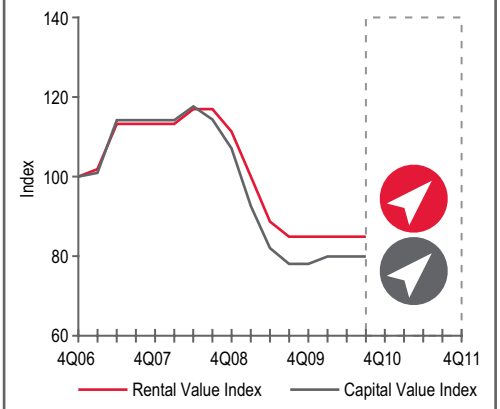
Asset Performance

Rental and capital values across the micro-markets of Mumbai remained stable in 3Q10. The Prime South and Prime North micro-markets recorded an average rent of INR 225 per sq ft per month and INR 135 per sq ft per month, respectively, while the Suburban micro-market recorded an average rent of INR 85 per sq ft per month. Backed by improving business sentiment in recent quarters, several malls in good locations and with good mall management have started commanding a premium over the market average.

12-Month Outlook

Going forward, higher GDP growth and lower inflation is expected to strengthen retail sales and consequently retailer demand in the city. Mumbai is anticipated to have about 3.4 million sq ft (321,116 sqm) of new operational mall space by end-2010. With limited future supply in the Prime micro-markets, rents are expected to rise by end-2010. The average rent for the Suburban micro-market, however, is expected to remain under pressure for the next two to three quarters due to high supply. However, some selected malls in the Suburban micro-market with good catchments will witness rental growth by end-2010.

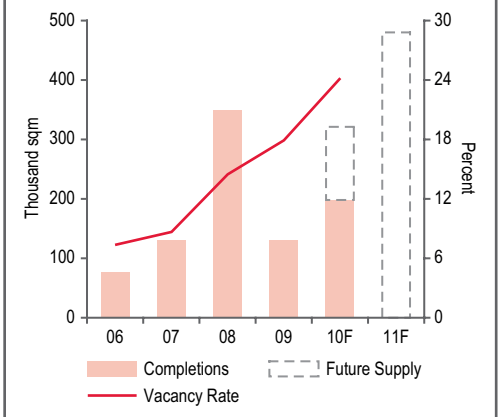
Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Financial Indices are for Prime South.

Physical Indicators



Source: Jones Lang LaSalle

Physical Indicators are for all micro markets.

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information (Prime South)	
Rental Value^	INR 225 psf pm
Stage in Cycle	Decline slowing
No. of Quarters Since Last Peak	8

^ gross, on GFA

12-Month Outlook			
Rental Value		Capital Value	

Bangalore: Retail Market

Demand

Vacancy in Bangalore's retail malls remained steady at 5.0% in 3Q10 with no supply or absorption recorded across all 3 sub-markets. The CBD and Secondary sub-markets continued to suffer from a distinct lack of space with vacancy at 0% and 2.3%, respectively. However, vacancy was high in Suburban malls, averaging 17.2% in 3Q10.

Key transactions in 3Q10 included the following:

- Show Off leasing 6,584 sq ft (613 sqm) in Phoenix Market City Mall in Whitefield;
- Mother Earth leasing 5,126 sq ft (476 sqm) in Phoenix Market City Mall in Whitefield;
- Mom & Me leasing 5,000 sq ft (465 sqm) along 12th Main, Indiranagar, high street; and
- KFC leasing 4,500 sq ft (418 sqm) in Frazer Town, high street.

Supply

The third quarter of 2010 witnessed no completions in the Prime and Secondary micro-markets. The future mall supply, which is expected to be completed in Bangalore between 2010 and 2012, stands at 7.12 million sq ft (661,470 sqm).

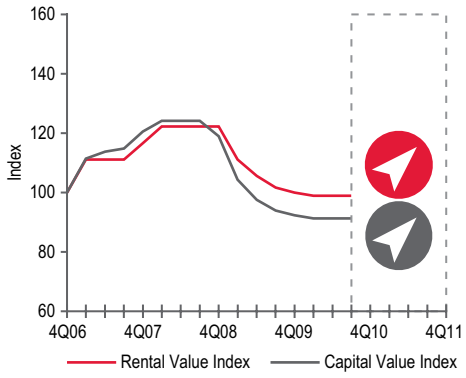
Asset Performance

The Prime City and Secondary sub-markets in Bangalore witnessed no corrections in rentals. The average rental for Prime and Secondary malls remained at INR 178 per sq ft per month and INR 85 per sq ft per month, respectively, in 3Q10.

12-Month Outlook

Existing Prime malls should continue to see steady demand from retailers and experience rental growth by 2012. However, malls scheduled for completion in the next 12 months, especially in the secondary sub-market, will face challenges securing tenants in an increasingly competitive market, particularly given retailers remain selective in the choice of locations they expand. This is highlighted in retailer's preference to adopt minimum-guarantee and revenue sharing rents as opposed to fixed rents to mitigate risk. Rental and capital values are expected to remain stable throughout the year across all malls in Whitefield due to the oversupply.

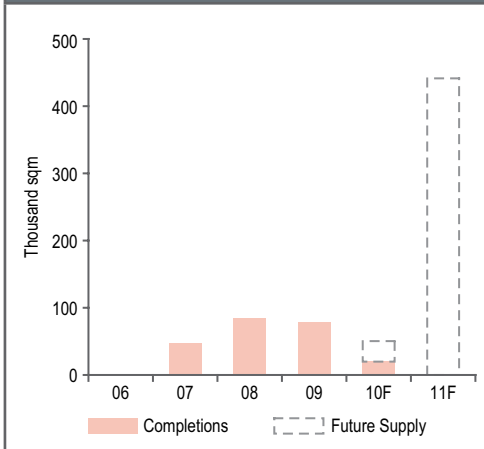
Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Financial Indices are for the Prime Market.

Physical Indicators



Source: Jones Lang LaSalle

Physical Indicators are for all micro markets.

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information (Prime City)	
Rental Value^	INR 178 psf pm
Stage in Cycle	Decline slowing
No. of Quarters Since Last Peak	7

^ gross, on GFA

12-Month Outlook			
Rental Value		Capital Value	

Chennai: Prime Retail

Demand

Two major completions were added to Chennai's organised retail stock between 3Q09 and 3Q10. The entry of these two malls changed the organised retail landscape in Chennai, bringing with them new local and international brands. Both malls were 90% occupied upon opening, highlighting the pent up demand in the city. Chennai's organised retail market witnessed significant absorption in the first three quarters of this year largely due to healthy leasing activity in Ampa Skywalk and Express Avenue Mall. In 3Q10, the city saw marginal positive absorption of 19,123 sq ft (1,777 sqm) as there was little vacant space left in the market.

Major transactions in 3Q10 included:

- Naihaa leasing 3,300 sq ft (307 sqm) in Express Avenue Mall, Prime City;
- OshKoshB'gosh leasing 1,589 sq ft (148 sqm) in Express Avenue Mall, Prime City;
- Diesel leasing 5,840 sq ft (543 sqm) in Express Avenue Mall, Prime City;
- Timberland leasing 3,670 sq ft (341 sqm) in Express Avenue Mall, Prime City; and
- Rajdhani Thali leasing 5,919 sq ft (550 sqm) in Express Avenue Mall, Prime City.

Supply

There were no new completions recorded in Chennai in 3Q10. However, the city witnessed the entry of Ampa Skywalk and Express Avenue Mall in 4Q09 and 2Q10 respectively. About 1.1 million sq ft (108,976 sqm) of mall space, spread across five malls, is either proposed or under construction and due before end-2011. Fit-out works have begun in Chandra Metro Mall, which is anticipated to open in 1Q11.

Asset Performance

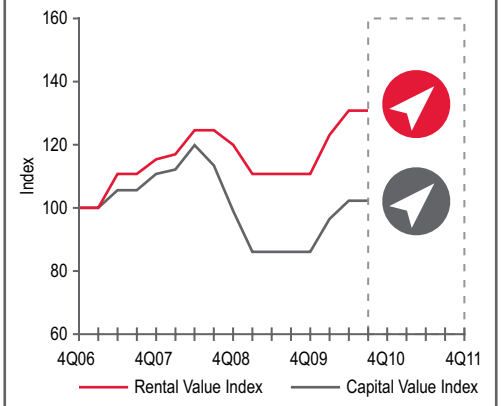
Rental and capital values remained fixed at 2Q10 levels during this quarter. However, the entry of Ampa Skywalk and Express Avenue Mall in the previous quarters has brought the overall average up during 1H10. Although rents have moved up marginally with the entry of prime malls into the city, rents remain affordable compared to other mature retail markets in India.

12-Month Outlook

Going forward, more malls are expected to open in the secondary and suburban areas of Chennai. The entry of new malls in the peripheral areas of the city will provide the required retail infrastructure in the upcoming suburban locations. Also this will allow local and international brands to increase their presence in the city.

The city's fast-expanding residential catchments are likely to drive the growth of organised retail and new high streets. Owing to a moderate supply of mall space in the city, the city's high streets will remain dominant in the short term. However, we believe that malls will emerge as the long-term growth engines for the city's retail real estate sector.

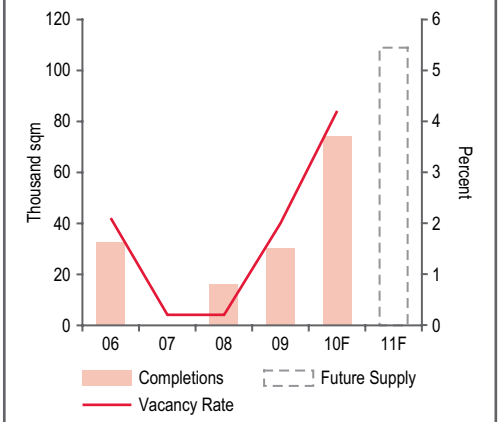
Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Financial Indices are for the Prime Market.

Physical Indicators



Source: Jones Lang LaSalle

Physical Indicators are for all micro markets.

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information (Prime City)	
Rental Value^	INR 85 psf pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	2

^ gross, on GFA

12-Month Outlook	
Rental Value	Capital Value

Australia: Sub-Regional Shopping Centres

Demand

There was improvement in the general retail environment nationally in 3Q10, after both sentiment and spending slowed last quarter in response to earlier interest rate rises. Retail turnover has returned to solid growth over recent months, while consumer sentiment has rebounded back to very strong levels. Reflecting consumer behaviour, retailers are also anecdotally becoming more confident in the retail outlook and tenant demand is steadily improving. Demand from supermarket operators remains particularly strong, which is driving much of the development and refurbishment activity proposed for sub-regional, as well as neighbourhood shopping centres.

Supply

Two sub-regional development projects completed in 3Q10, adding just under 35,000 sqm to total stock. Stockland completed the 19,000 sqm second stage of the extension to their Merrylands centre in Sydney, while a 15,954 sqm new centre at 670 Chapel Street in South Yarra, Melbourne, was also completed. Development conditions were challenging and the pipeline of projects is limited. Just five projects totalling 88,200 sqm remain under construction nationally at the end of 3Q10. Only LWP Property group's 25,000 sqm project in Ellenbrook, Perth is due to complete by the end of 2010.

No vacancy survey was conducted in the quarter, but the average sub-regional vacancy rate across all monitored markets was 1.9% in 2Q10 at last measure and anecdotally has been fairly stable over recent months.

Asset Performance

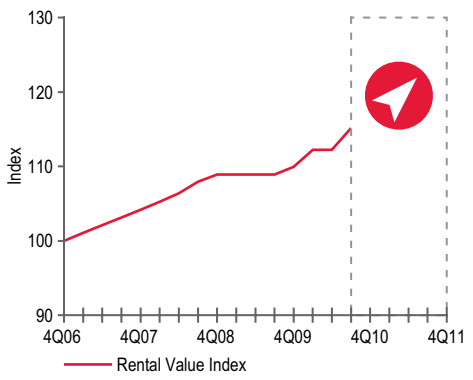
Sub-regional specialty rents grew by around 1% q-o-q in 3Q10, to be 2.5% higher over the past year. Reflecting trends in retail turnover, growth has been strongest in Sydney, Melbourne and Perth, while growth has lagged in South East Queensland and Adelaide.

The equivalent yield range for sub-regional assets across all markets was unchanged in 3Q10 at between 6.50% and 9.00%. Median sub-regional yields are currently around 100 basis points above their peak levels in mid-2008. The only sub-regional transaction recorded for the quarter to date is the AUD 87.5 million sale of the Sunshine Marketplace centre in Victoria to a local private investor.

12-Month Outlook

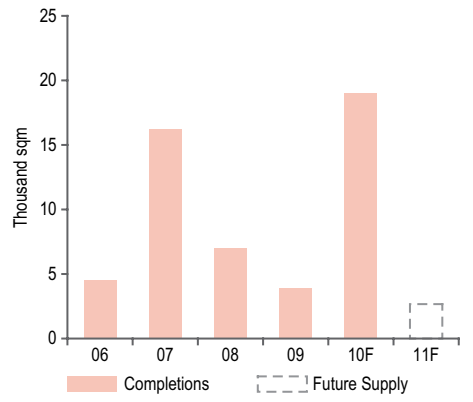
The outlook for the general retail environment appears positive. Retail turnover is expected to steadily build over the next year, supported by low unemployment, strong population growth, solid wage growth and a high Australian dollar. Consequently, we expect tenant demand to slowly rebuild as retailers gain confidence in the sustainability of the recovery. Vacancy is likely to remain relatively stable at current low levels, supported by low levels of new supply. Rental growth is projected to remain subdued, with occupancy costs already a relatively high proportion of retailers' turnover. Yields are also likely to remain fairly stable over the next year.

Financial Indices - Sydney



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators - Sydney



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	AUD 989 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	25

^ net, on GFA

12-Month Outlook			
Rental Value	➤	Capital Value	NA

Auckland: Retail Market

Demand

While occupier demand remains relatively steady, conditions are challenging as consumers favour saving over spending, with Treasury recently noting household borrowing is falling faster than new investment in housing. While, the June quarterly retail trade survey shows that sales are up, volumes and values are increasing at a disproportionate rate. This suggests that retailers are luring customers to the shops through heavy discounting and sale campaigns in order to boost sales. However, the outlook is looking increasingly positive. Stronger economic growth and lower unemployment over the next few years as well as personal tax cuts in October should gradually entice customers to spend more and stimulate retailer demand.

Supply

There were no new additions to supply in the CBD and Suburban sectors over 3Q10, with total stock remaining at 242,000 sqm. Looking forward, there is expected to be an increase in supply with the addition of a six-level car park building with street-level retail on the old Oriental Markets site in Britomart. Les Mills has signed for approximately 2,000 sqm of the 3,000 sqm for a term of 20 years. The premises should be completed by late 2011.

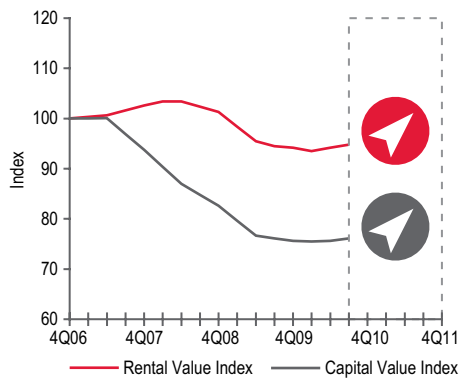
Asset Performance

Prime CBD rents stabilised over 3Q10 as general confidence in the economy improving has risen over the last year, albeit slowly and cautiously. Some landlords are mindful of their retailer's inability to incorporate increasing rents into their small profit margins, and are providing a small relief period until conditions improve. However, this is likely to unwind soon and there is likely to be some large rental increases once conditions return to more positive levels and the market transitions to a landlord-driven market. The average Prime CBD rent over the last five years has increased by 11.5%, or 2.3% per annum, which is above inflation over the same period. We forecast retail rents in the Prime sectors to increase over the next 12 months. However, rental growth is expected to be slow at first. Auckland Prime CBD and Suburban retail yields have held steady at 7.63% and 8.25% respectively over 3Q10, as investors remain confident, albeit cautious, of current conditions in the retail sector.

12-Month Outlook

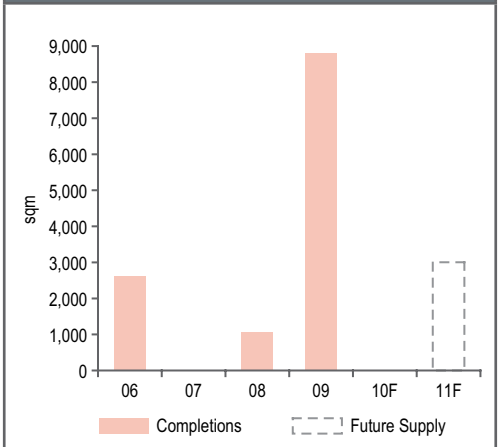
Confidence in the retail sector continues to gather momentum on the back of a projected economic recovery and the lead up to the 2011 Rugby World Cup. While consumer confidence has lifted since last year, this has yet to fully translate into increased spending as consumers remain budget conscious and search for bargains. This suggests a relatively mild short-term outlook for the retail sector. However, the unemployment rate will likely decline from recent highs and confidence in hiring intentions are high. This should help fuel retail demand and place pressure on rental growth.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 2011.

Rental Information	
Rental Value^	NZD 1,825 psm pa
Stage in Cycle	Decline slowing
No. of Quarters Since Last Peak	8

^ net, on NLA

12-Month Outlook			
Rental Value		Capital Value	

Beijing: Residential

The leasing market for high-end residential property remained active in 3Q10 with rents increasing slightly. On the sales side, sales prices continued to increase despite falling transaction volume.

Demand

High-end residential property available for lease was in high demand in 3Q10. In tandem with the development of the Chinese economy, multi-national corporations such as Nokia and Microsoft, as well as government institutions such as the British and South African embassies, supported increased leasing demand by expanding expatriate headcount. Also, a number of international schools opened, creating demand for conveniently located housing. Among serviced apartments, most projects vacancy decreased in 3Q10, notably among those new to the market this year. For instance, Oakwood Residence Beijing has achieved 50% occupancy in its first four months of operation. Nonetheless, the average vacancy of luxury apartments and villas increased 0.7 and 0.9 percentage points respectively, to 17.1% and 16.2% in 3Q10.

Strict property-sector tightening measures have been in place for more than five months and their effects are beginning to be seen. In the high-end sector, developers have postponed new supply while some buyers have adopted a wait-and-see attitude. Consequently, sales volumes dropped noticeably during the quarter after a slight decrease in the second quarter.

Supply

No new serviced apartment projects opened in 3Q10, while one luxury apartment project and one luxury villa project were launched in the market. CBD Private Castle added 533 units, while the villa project Longfor Weilanxiangdi in Tongzhou district added 240 duplex units to the market.

Asset Performance

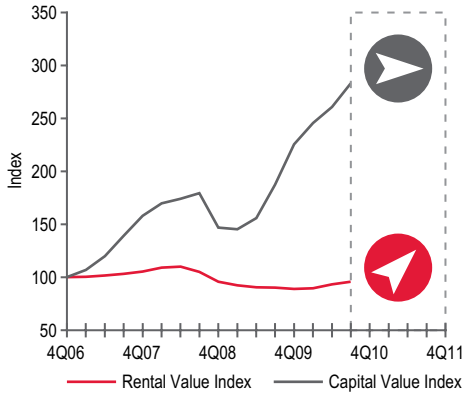
In 3Q10, rents of serviced apartments, luxury apartments and luxury villas increased between 0.8–2.7% q-o-q to average RMB 167.0, RMB 93.2 and RMB 110.3 per sqm per month, respectively.

Due to limited availability and prime location of current supply, capital values of high-end residential property continued to trend upward, despite slowing transaction volumes. Transaction prices of luxury apartments increased 8.5% q-o-q to average RMB 43,395 per sqm, while for luxury villas they increased 9.8% q-o-q to average RMB 44,585 per sqm.

12-Month Outlook

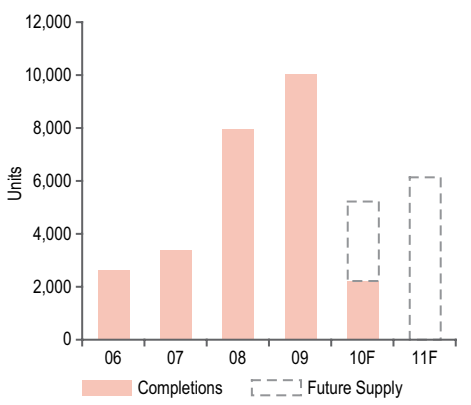
The high-end residential leasing market will remain stable in the fourth quarter. Demand will be supported by prospective buyers leaning more towards leasing rather than purchasing because of the expected implementation of further tightening measures in 4Q10, which will aim to curb speculation among investors and constrain recent, rapidly rising sales prices. These factors will enable rents to grow steadily and vacancy to remain relatively stable. Sales volumes could subside in 4Q10 but developers will be conscious of reaching annual sales targets.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information (Luxury Residential)	
Rental Value^	RMB 99.5 psm pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	3

^ gross, on GFA

12-Month Outlook			
Rental Value	↗	Capital Value	→

Shanghai: Luxury Residential

Demand

The third quarter started with weak sentiment on the sales side with transaction volume staying low in July as government tightening measures continued to weigh on buyers' confidence. However, transaction volume began to creep up in August as first-time homebuyers gradually returned to the market. Entering the traditional high season for home sales in September, sentiment in the sales market improved further, resulting in a significant growth of new commodity housing sales in September although prices saw little movement. Unlike the mass market, the luxury residential sales market in Shanghai remained subdued throughout the quarter due to greater restrictions on mortgage loans for investors. This was evident in several luxury projects we monitor, including 1 Xinhua Road and Central Residence II in Changning District and Tomson Riviera in Pudong, which all recorded only one or two transactions in 3Q10. In the luxury rental market, leasing demand remained strong throughout the quarter, primarily driven by the short to medium stays from visitors to the Expo. As a result, the vacancy rate declined steadily by 1.4 percentage points.

Supply

There were no luxury projects completed in 3Q10 in Shanghai. Due to the continued weak sentiment in the luxury sales market, there were no major new luxury projects put onto the market for sale. Developers opted to further delay new launches, awaiting a rebound in market momentum.

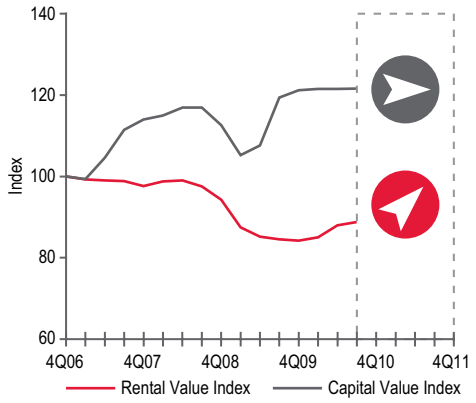
Asset Performance

Although the luxury market witnessed sluggish sales in 3Q10, few developers and individual sellers in the secondary market were motivated to lower their prices to spur sales. As a result, capital values of luxury apartments in Shanghai remained largely unchanged in the quarter at RMB 55,255 per sqm. In the luxury rental market, strong leasing demand from expatriate workers pushed down the vacancy rate by an additional 1.4 percentage points and further enhanced landlord confidence. It resulted in a rental growth of 0.9% q-o-q for luxury apartments in 3Q10, marking the third consecutive quarterly gain after rents bottomed in 4Q09. In the residential investment market, JP Morgan was reported to have acquired Shama Century Park, a serviced apartment project located in Pudong, from Morgan Stanley for approximately RMB 1.2 billion in July. Consisting of 284 units in four towers, Shama Century Park was bought by Morgan Stanley in 2006 for about RMB 700 million. A new record was set in the residential-use land market in September as Wharf Holdings purchased a 54,415 sqm land plot at an accommodation value of 35,490 RMB per sqm.

12-Month Outlook

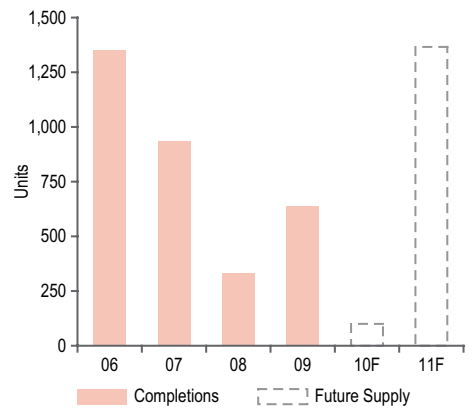
As we expected in the second quarter, sales volume in the overall residential market rebounded strongly in September, a traditional high season for home sales. At the end of the quarter, the central government issued new nationwide policies further tightening restrictions on the residential market. In addition to forbidding mortgages for buyers of third and above homes, the policies also raised the minimum down payment for first time home buyers from 20% to 30%. In Shanghai, each family is now limited to purchasing only one additional unit as long as the policy is in effect. As a result of the new policies, home buyers are likely to again adopt a "wait and see" attitude, delaying purchases until they can assess the impact policies have on prices. Transaction volumes are expected to fall significantly, similar to the period after the April round of tightening measures. We expect prices to remain flat in the near-term. The luxury residential market continues to face policy risks, including an inevitable, if not imminent, property tax in Shanghai and several other major cities in China.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	RMB 193.7 psm pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	3

^ gross, on GFA

12-Month Outlook			
Rental Value		Capital Value	

Hong Kong: Luxury Residential

Demand

The introduction of another round of tightening policies aimed at preventing the residential sales market from overheating had little immediate effect on slowing sales demand. These new policies were largely overshadowed by positive market fundamentals and better-than-expected land auction results which combined to flow encouraging sentiment to the market. The number of sale and purchase agreements rose by 18% q-o-q to a total of 38,080 in 3Q10.

Amid the pick-up in market optimism, developers resumed project launches during the quarter. The Sun Hung Kai Properties' led consortium sold over 90% of the 715 units in Larvotto in Ap Lei Chau while almost all of the 377 units were sold in LIME Stardom in Tai Kok Tsui at an average of HKD 7,800 per sq ft. Meanwhile, 90% of the 106 units in Phoenix Property Investors' Gramercy in Mid-levels were sold shortly after being launched.

Sales of luxury properties remained strong. In the primary market, Henderson Land sold two houses at 11–12 Headland Road in Island South for HKD 660 million (HKD 50,641 per sq ft) and HKD 478 million (HKD 47,360 per sq ft), respectively while a house at 74 Mount Kellett Road was sold for HKD 236.5 million (HKD 56,310 per sq ft) in the secondary market.

The land sale market was also active with several auctions setting new record highs. Five sites on the Application List were sold at public auctions, fetching a total of HKD 19.8 billion. The site on The Peak (IL 9007) fetched the third-highest price for a development site in the city while the accommodation value of HKD 16,587 per sq ft for a site in Kowloon Tong (NKIL 6306) set a new record high for a government land auction in Kowloon. Not all land sales were successful. A site in Chai Wan (CWIL 175) was put up for auction in September, but was withdrawn by the government as it failed to draw any bids from the auction.

Alongside with the growing accommodation demand of corporate tenants, the luxury residential leasing market continued to perform well in 3Q10. The availability of quality leasing properties, however, remained limited.

Supply

A total of 8,196 residential units have now been completed through the first eight months of 2010, 92 of which have been luxury units.

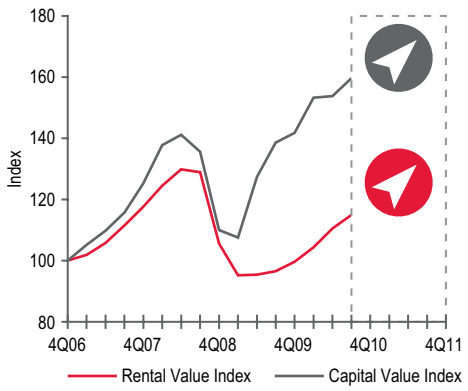
Asset Performance

Strong investment demand coupled with positive sentiment amongst buyers saw capital values for luxury properties climbing a further 3.8% q-o-q while those for mass properties rose by 6.8% q-o-q in 3Q10. Rents for luxury properties meanwhile, were up 4% q-o-q over the same period.

12-Month Outlook

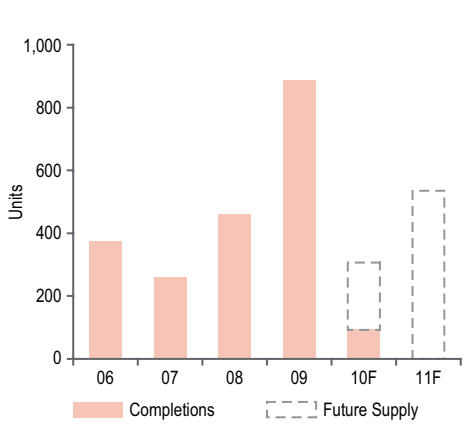
Sentiment in the luxury residential market will remain upbeat as the current low interest rate environment is likely to remain intact until late 2011. In this regard, we expect capital values to rise further, albeit at a more moderate rate, while rents are also expected to trend higher, in view of the recent recovery in expatriate housing demand. The effectiveness of recent cooling measures, remains to be seen though indications thus far point to key market fundamentals remaining unchanged.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2005 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is from 4Q10 and 2011.

Rental Information	
Rental Value^	HKD 36.6 psf pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	6

^ net, on GFA

12-Month Outlook	
Rental Value	Capital Value

Macau: High-End Residential

Demand

The release of stricter control policies aimed at cooling the residential sales market were outweighed by the positive sentiment among buyers brought about by a bustling economy and improvements in the Hong Kong stock market. Developers sought to capitalise on the subtle shift in market sentiment by launching developments during the quarter including: One Oasis (12 special units) in Coloane district and Lake View Tower (443 units) in Nam Van Lake district. Prices in the two new developments ranged between HKD 5,200 and HKD 6,500 per sq ft and HKD 3,900 and HKD 4,600 per sq ft, respectively, with both drawing the interest of buyers. In addition to the newly launched projects, buyers also showed keen interest in recently completed and soon-to-be completed large scale residential developments such as The Praia and The Bayview.

In the leasing market, demand was given a boost following the reactivation of Sands Cotai project and the recent opening of a new theatrical entertainment show at the City of Dreams; both rely heavily on skilled expatriate employees.

Supply

A total of 164 units were completed in 3Q10. For the first three quarters, a total of 2,087 units have now been completed though an additional 2,150 units are still expected to come online through the remainder of 2010.

The quarter also saw Mainland developer China Overseas Land and Investment (COLI) purchase a site in NAPE on the Macau Peninsula for HKD 1.75 billion (accommodation value of HKD 2,258 per sq ft). Under the sales agreement between the government and original owner of the site, two 17-storey towers over a four-storey podium were to be built on the site. Of the 72,000 sqm of attributable GFA associated with the site, a significant proportion was earmarked for residential use.

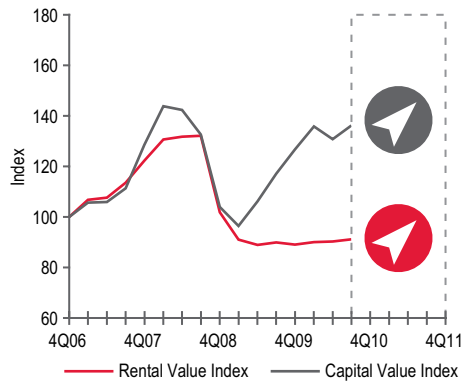
Asset Performance

After undergoing a slight correction in the previous quarter, capital values recovered by 4.2% q-o-q in 3Q10. The pick-up in leasing demand saw high-end residential rents rising by 1.0% q-o-q during the quarter. The recovery in capital values led to investment yields falling by 10 basis points to 2.2% by end-3Q10.

12-Month Outlook

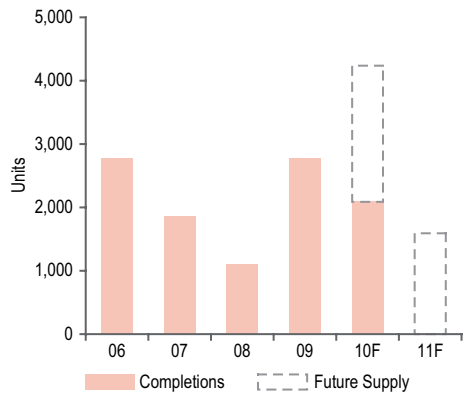
A sustained recovery in regional and global economies should lead to not only stronger gaming revenue growth but also a greater amount of capital investment into the Macau economy over the next 12 months. Although recently released policies indicate that the government remains wary of potential overheating in the residential property market, we believe that the positive outlook for the economy bodes well for the residential property market. Indeed, according to the Macau Government Tourist Office, the labour market needs an additional 10,000 workers in 2011 due to the completion of massive entertainment projects and commencement of infrastructure construction work. This will both fuel demand for leasing properties and reignite the interest of investors in the city's residential property markets.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	HKD 6.92 psf pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Peak	5

^ net, on GFA

12-Month Outlook	
Rental Value	Capital Value

Bangkok: High-End Condominium Market

With the political unrest in recent quarters finally settling down, many developers have been launching new condominium projects. However, these developments were positioned in middle segments and targeted at local purchasers. In 3Q10, only two high-end projects were launched, although one has reportedly already sold out. Presale prices of new high-end condominium units remained in the range of THB 100,000–150,000 per sqm.

Demand

Demand for new high-end projects was limited during the quarter as developers were focussed on developing lower-grade condominiums targeted at local buyers. Via 49, developed by Sansiri, was reportedly fully booked during the period. Due to the supply of rental units outweighing demand, tenants continued to have greater bargaining power over landlords, contributing to lower rents in 3Q10.

Supply

Two new high-end projects were launched in 3Q10 – Via 49 and M Silom. Via 49 is located on Sukhumvit 49 and consists of 85 units, with prices starting at THB 140,000 per sqm. M Silom was launched by Major Development and is located in the CBD along Narathiwas Road. The project consists of 161 units with a starting price of around THB 140,000 per sqm.

The total high-end stock remained at 20,511 units as no new projects were completed during 3Q10. Three condominium projects are expected to complete by end-2010. This includes Q Langsuan which is located on Soi Langsuan and houses 177 units. The other two projects are located in the Sukhuvit area – IVY Thonglor (447 units) and 39 by Sansiri in Sukhumvit 39 (163 units).

Asset Performance

With demand falling short of supply in the leasing market, the average rent in 3Q10 declined by 1.3% q-o-q from THB 4,425 per sqm per annum in 2Q10 to THB 4,366 per sqm per annum.

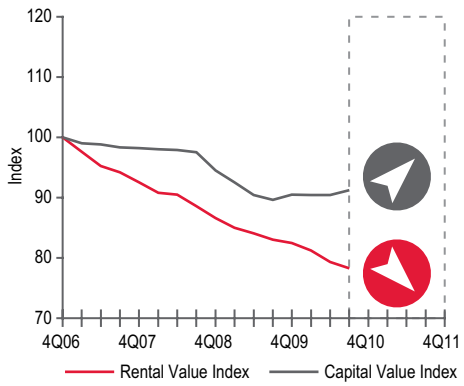
Due to a better political climate and the market benchmarking against high new condominium presale prices, average resale price improved by 0.9% q-o-q from THB 97,221 per sqm to THB 98,092 per sqm. Investment yields hovered in the range of 4.5–4.7% in 3Q10.

12-Month Outlook

Foreign buyers, a key target for high-end condominium units, remained wary of the domestic political situation and demand for high-end condominiums remained muted. With confidence gradually rebuilding, a few high-end condominium projects are expected to launch over the next 12 months.

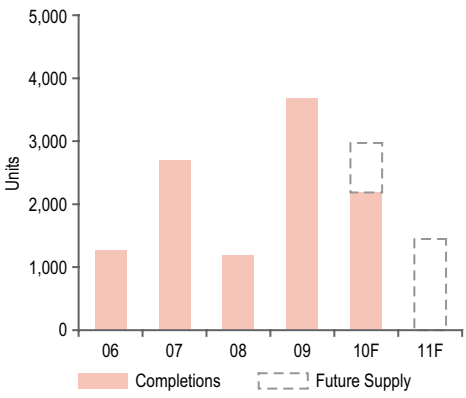
With around 2,970 new units expected to complete in 2010 and another 1,447 units scheduled in 2011, rents are expected to face continued downward pressure. However, resale prices are proving to remain firm. Interest rates have yet to rise significantly, while yields are expected to range between 4.4% and 4.7%.

Financial Indices



Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	THB 4,366 psm pa
Stage in Cycle	Rents falling
No. of Quarters Since Last Peak	16

^ net effective, on NLA

12-Month Outlook			
Rental Value		Capital Value	

Kuala Lumpur: Luxury Residential

More launches expected in the short term in line with stable, predominantly local demand.

Demand

In 3Q10, Seri Ampang Hilir, Brunsfield Embassyview – Tower 2, Verticas Residency – Tower B and M Suites were launched.

Seri Ampang Hilir, is a freehold development sited on 2.0 acres on Jalan Ampang Hilir. The developer Tan & Tan Developments Sdn Bhd, launched the relatively low dense development with 40 units at the end of August 2009 and registered an encouraging sales rate of 83%.

Brunsfield EmbassyView – Tower 2 (125 units), is a leasehold development sited on 4.02 acres, on Jalan Ampang. The developer, Brunsfield and Sime Darby, registered a 67% sales rate on the twenty storey building.

Verticas Residency – Tower B, is a freehold development sited on 2.66 acres on Jalan Ceylon comprising of 123 units. The developer Wing Tai Asia launched the development at the end of July 2010 to corporate counterparts and close contacts and achieved a 59% sales rate.

M Suites is a freehold development sited on 1.44 acres on Jalan Ampang. The development comprises 442 units in two blocks. The developer, Mah Sing Properties, launched the development in early September 2010 to corporate counterparts and close contacts and sold 67% of the units.

Supply

The total stock increased from 17,122 units to 17,345 units with the completion of MyHabitat-Phase2 (152 units) and Ampersand @ Kia Peng (71 units), both within the KLCC area.

636 units within the future stock are expected to be completed in 4Q10 and with a healthy development pipeline, 6,027 units are scheduled for completion in 2011.

Asset Performance

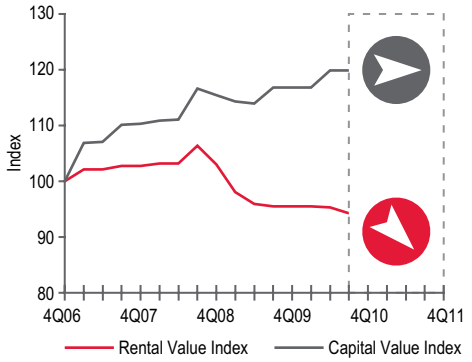
Capital values remained stable in 3Q10 averaging at MYR 6,760 per sqm. However, rentals have experienced slight downward pressure, declining marginally to an average of MYR 442 per sqm per annum in 3Q10 compared with MYR 447 per sqm per annum in 2Q10, largely due to the supply-demand imbalance.

12-Month Outlook

The number of new launches is expected to gain momentum. Many developers have indicated their intention to launch previously deferred projects within the next six months in view of healthy market sentiment and encouraging demand for recently launched developments.

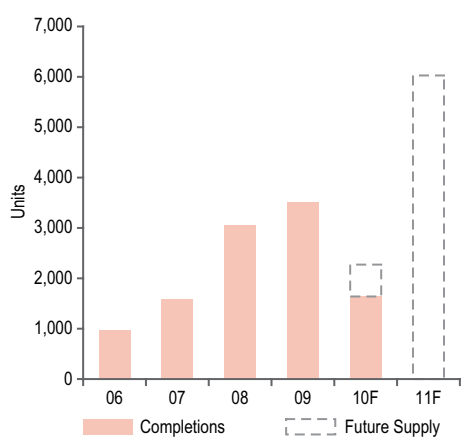
However, the large supply pipeline will pose challenges for the market, particularly in the KLCC area. Both rents and capital values are unlikely to increase in the short term given the large incoming supply. The situation will be exacerbated by the significant similarities in terms of quality and location of incoming supply. Developers of projects at planning stage are likely to differentiate their projects to encourage sales and provide a point of difference.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang Wootton

Physical Indicators



Source: Jones Lang Wootton

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	MYR 442 psm pa
Stage in Cycle	Rents falling
No. of Quarters Since Last Peak	8

^ gross, on NLA

12-Month Outlook	
Rental Value	Capital Value

Singapore: Residential

Prime capital values remained stable as buying sentiment returned after dipping when uncertainty from the eurozone debt crisis hit the market in May. Elsewhere on the island, mass market capital values continued to increase, reinforcing the need for further government intervention, which came on the 30th of August. These anti-speculative measures – which include extending the holding period for seller's stamp duty, increasing the minimum cash payment and lowering the Loan-to-Value (LTV) ratio – seek to alleviate the affordability concerns of the masses which has arisen due to recent speculative buying. However, the impact on the prime market is expected to be marginal.

Demand

Despite the return of buying sentiment, preliminary estimates for sales volume[1] in the prime districts totalled 885 units[2], signalling a likely slowdown, although more caveats may be lodged as some of them can take up to six weeks after an option is exercised. The slowdown in 3Q10 coincided with the traditionally lower sales as a result of the June school holiday and the Hungry Ghost Festival[3]. In the secondary market, sales volume reached 479 units although the figure rose as a proportion of the total sales volume to 54% as the primary market softened.

Led by fewer launches in the primary market, 280 units were sold in the prime districts in 3Q10. Only a handful of major launches took place, such as 368 Thomson (157 units) which was fully sold in the month that it was launched. The remaining launches experienced lacklustre sales.

Supply

A total of 458 units were estimated to have been completed in 3Q10. Supply came from relatively small projects, with Paterson Suites (102 units) being the largest. Also completing was City Vista Residences (70 units), Wilkie 80 (50 units) and 8 Napier (46 units). As more units complete, pockets of units, especially those neighbouring construction sites, continue to sit empty. While vacancy figures have yet to be released, it is expected to have remained steady in 3Q10 after rising the last quarter.

Asset Performance

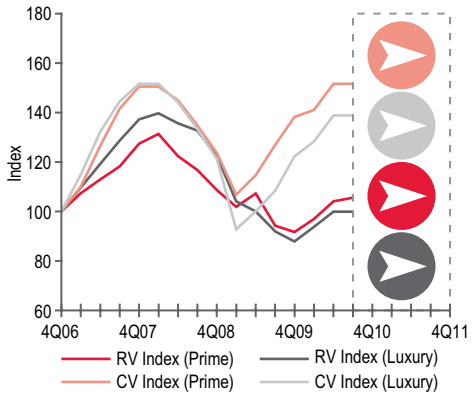
In 3Q10, the average capital value for the luxury and typical prime properties were both stable at SGD 26,910 per sqm and SGD 14,531 per sqm, respectively.

Rental growth slowed in 3Q10, with the average luxury prime rental value remaining steady at SGD 572 per sqm per annum, while the average typical prime rental rose by 1.5% q-o-q to SGD 430 per sqm per annum as the rental premium commanded by new completions boosted the rentals in existing projects.

12-Month Outlook

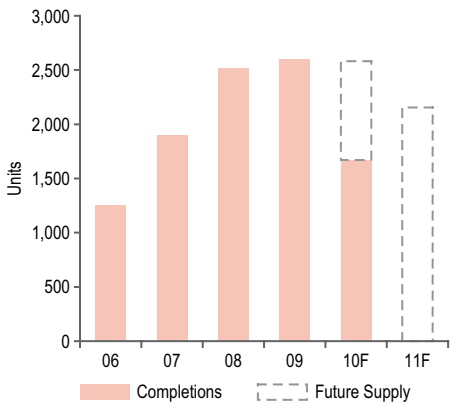
As we enter the traditionally quiet final quarter of the year, both sales and leasing activity are expected to slow further. Capital values are likely to hold up given that price expectations will be maintained. However, rental values may soon be under pressure if leasing demand fails to keep up with the supply pipeline.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information (Luxury)	
Rental Value^	SGD 572 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	3

^ net effective, on GFA

12-Month Outlook			
Rental Value	➤	Capital Value	➤

1 Total sales volume includes new sales, sub-sales and resale transactions

2 Based on caveats lodged retrieved from the Urban Redevelopment Authority (URA) Real Estate Information System (REALIS) on 4 October 2010

3 Housing purchases are usually held back during the seventh month of the lunar calendar, known as the Hungry Ghost Festival, as they are considered a taboo amongst the local Chinese community

Manila: Makati CBD and Fringe Residential Market

The sustained rate of growth in remittances from overseas Filipinos (OFs) coupled with continued low interest rates have led to moderate growth in investor demand for residential condominium units. Meanwhile, the ongoing expansion activity and entry of new players in the offshoring and outsourcing (O&O) industry has significantly buoyed demand in the leasing market.

Demand

With only one development completing, net absorption in the residential market dropped to 393 units in 3Q10 from 1,031 units in 2Q10. The entry of new O&O companies in the Philippines and expansions of current players have increased demand in the leasing market, as expatriates from these companies seek residential accommodation. As a result, the vacancy rate for luxury residential developments marginally declined to 2.1% from 2.2% in 2Q10.

In the investment market, sales have grown moderately, especially for upcoming residential condominium units, as a result of the positive outlook on the economy and low interest rates.

Supply

Only one residential development was completed in 3Q10, increasing the total stock of residential condominium units in the Makati CBD and fringe areas to 13,923 units from 13,540 units in 2Q10.

The recovering sales figures and projections have prompted several developers to launch new projects scheduled to be completed in the next three to five years. An example of this is Ayala Land Inc, which has launched a new project, West Tower at One Serendra, located within Bonifacio Global City.

Asset Performance

The average rental for luxury residential developments rose from PHP 6,216 per sqm per annum in 2Q10 to PHP 6,252 per sqm per annum in 3Q10, a 0.6% increase q-o-q. Likewise, the average capital value improved slightly, rising by 0.8% q-o-q, from PHP 90,186 in 2Q10 to PHP 90,950 in 3Q10. Investment yields during the quarter remained in the range of 6.8–7.0%.

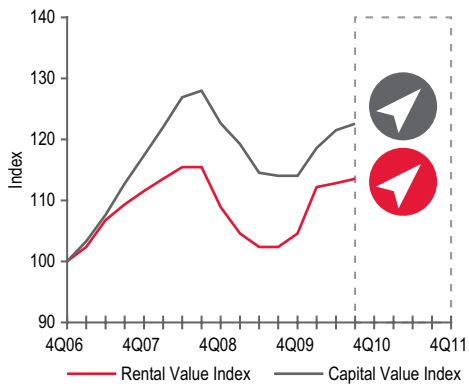
Despite the large number of completions in the mid-end residential market, rents and capital values in luxury developments have not yet been significantly affected as most of these mid-market condominium units are being bought by owner occupiers.

12-Month Outlook

The robust performance of the Philippine economy in the first half of the year has raised positive expectations and this is projected to continue until end-2010. The optimistic economic outlook, growing inflow of OF remittances and expectations of continued low interest rates will boost investment in the residential market over the next 12 months. On the back of this increasing activity, rentals and capital values are projected to trend upwards. Nevertheless, the large amount of new supply expected in the next few quarters may limit rental and capital value growth.

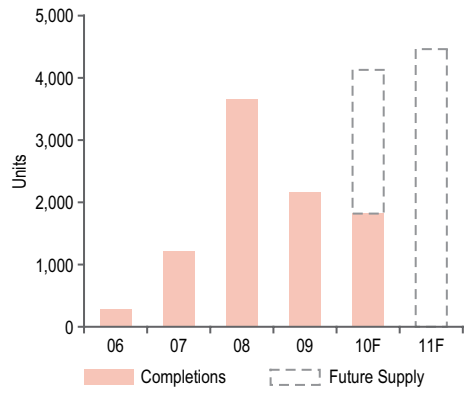
In 4Q10, approximately 2,310 unit are expected to complete in the Makati CBD and Bonifacio Global City representing an increase of 16.6% to 3Q10 stock levels. Developments expected to be completed include McKinley Park Residences, The Mosaic at Greenbelt and Trevi Tower 1. While 2010 will see large supply, the market will experience significant growth in the years to follow with the market expected to double in size by 2012.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual. For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information (Luxury)	
Rental Value^	PHP 6,252 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	4

^ net effective, on GFA

12-Month Outlook			
Rental Value		Capital Value	

Tokyo: Industrial – Logistics

According to the trade statistics for August, the quantitative index for exports increased 14.4% y-o-y to 95.0 while for imports, it rose 19.1% y-o-y to 104.3. Meanwhile, the industrial production index for August decreased 0.3% m-o-m but increased 15.4% y-o-y to 94.5. The decrease, which was witnessed for the third consecutive month, was due to a slowdown in the growth of exports.

Demand

Occupancy within sophisticated logistics facilities completed during the 2008 and 2009 economic downturn has been increasing with healthy take-up witnessed in 3Q10. Examples of take-up in 3Q10 include Amazon Japan Logistics leasing 39,000 sqm at Landport Kawagoe, Sagawa Global Logistics leasing 14,000 sqm of Yokohama Logistics Park; and Kanto Unyu leasing 10,000 sqm at ProLogis Park Zama I.

Some of the announced forward commitments in 3Q10 include Hitachi Collabo Next Transportation System's 30,000-sqm lease at ProLogis Park Kawajima, due in June 2011, and Trancom's 24,000-sqm pre-commitment in a logistics facility owned by Hitachi Capital, commencing October 2011.

Supply

A modern logistics facility with a GFA of 18,000 sqm was completed in the Shinkiba area. It will be occupied by a major stationery supplier-related company. The property is owned by Shochiku, a listed company whose business focus includes films, kabuki and theatres.

Asset Performance

The average rental value of sophisticated logistics facilities located in Tokyo Bay was down 0.5% q-o-q and 1.8% y-o-y to JPY 5,988 per tsubo per month or JPY 21,737 per sqm per annum. The rate of decline slowed to below 1% for the fourth consecutive quarter, suggesting that the market is close to bottoming.

Japan Logistics Fund has acquired a 90% stake at Ichikawa Logistics Centre (GFA: 77,000 sqm; NLA: 74,000 sqm), entering into a co-ownership arrangement with ProLogis. The acquisition price was JPY 17.415 billion with a yield of 5.6%. The property is fully leased to Takara Tomy and JR East Japan, with remaining contract terms of nine and six and a half years, respectively.

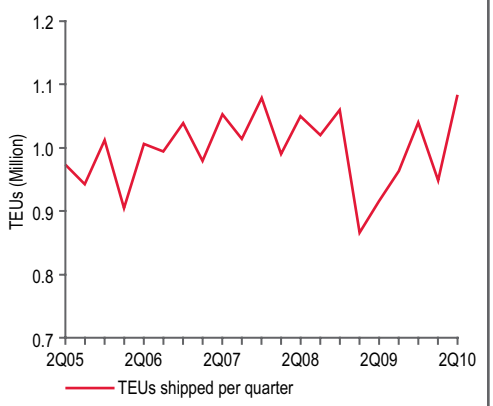
Mapletree Logistics Trust, a Singapore REIT, acquired three logistics facilities (total GFA: 92,000 sqm) from a financial business company of SBS Group. The facilities – Iwatsuki Logistics Centre, Iruma Logistics Centre and Noda Logistics Centre – were bought for JPY 13 billion on a yield of 7.3%. All three facilities are fully leased with remaining contract terms ranging from eight to ten years.

12-Month Outlook

According to the September Report of Recent Economic and Financial Developments, Japan's economy is expected to recover at a moderate pace, with exports continuing to increase moderately and production continuing to trend upward. We expect logistics space demand from department stores to continue to slow while demand from online retailers and food-related companies is expected to continue growing.

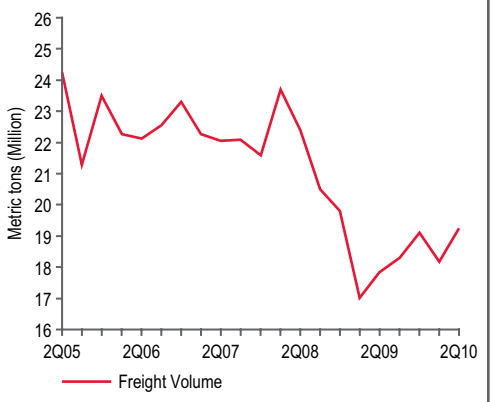
However, given that rents are almost 20% below their peak, they now appear to be affordable and some occupiers may take advantage of this. Thus, take-up of sophisticated logistics space is expected to increase – but it is unlikely to lead to a rental increase. Both rental and capital values are expected to remain flat for the time being.

Container Throughput - Tokyo



Source: Bureau of Port and Harbour, Tokyo Metropolitan Government

Freight Traffic Volume - Tokyo



Source: Bureau of Port and Harbour, Tokyo Metropolitan Government

Rental Information (Tokyo Bay Area)	
Rental Value^	JPY 5,988 per tsubo per month
Stage in Cycle	Decline slowing
No. of Quarters Since Last Peak	9

^ gross on NLA

12-Month Outlook			
Rental Value	➤	Capital Value	NA

Beijing: Industrial

No new logistics properties entered the market in 3Q10; however, demand for logistics space remained robust. Vacancy declined while rentals grew moderately. On balance, the market favoured landlords.

Demand

In 3Q10, B2C e-commerce, 3PL and retail tenants were the most active in the market. Several large European auto manufacturers were also active, either searching for available space or awaiting the completion of planned expansion areas. Net take up increased to 81,672 sqm, up 34.1% q-o-q. Several sizable transactions were recorded in the quarter within established sub-markets such as Beijing Airport, Tongzhou (TLP) and Daxing Logistics Parks. Vacancy across these sub-markets has dropped to less than 10%. Two logistics services firms leased about 3,000 and 6,000 sqm in PGL's Beijing Airport Logistics Park property in 3Q10. Strong demand allowed average vacancy to decline to 8.4%, a decrease of 7.4 percentage points for the quarter.

Supply

With limited land set aside for industrial development, no new logistics projects entered the market for the second consecutive quarter in 3Q10.

Asset Performance

Rents grew by 5.2% q-o-q in 3Q10 to average RMB 25.5 per sqm per month. Rental growth has been supported by strong market demand and a lack of vacant space.

12-Month Outlook

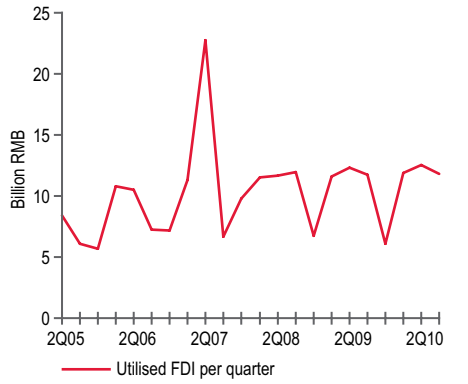
Only one new project, namely Boustead in Tongzhou Logistics Park, is scheduled to enter the leasing market in 4Q10. This project will provide the Park with additional supply of about 25,000 sqm. With limited supply and the expectation of continued high demand, Jones Lang LaSalle anticipates rents to grow steadily while vacancy should continue a downward trend. Several new projects will reach completion in 2011 and are expected to be well received by the market.

Exports - Beijing



Source: General Administration of Customs

Utilised F.D.I. - Beijing



Source: Beijing Municipal Commission of Commerce

Rental Information (Logistics)	
Rental Value^	RMB 25.5 psm pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	3

^ net effective, on GFA

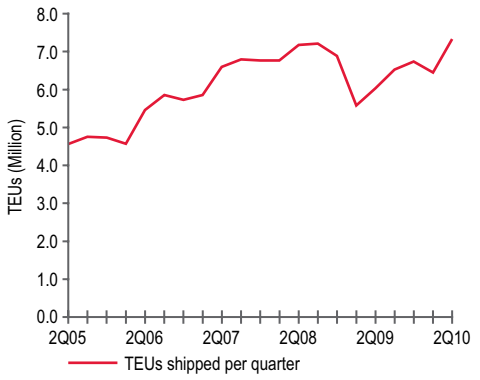
12-Month Outlook			
Rental Value		Capital Value	

Shanghai: Industrial – Logistics

Demand

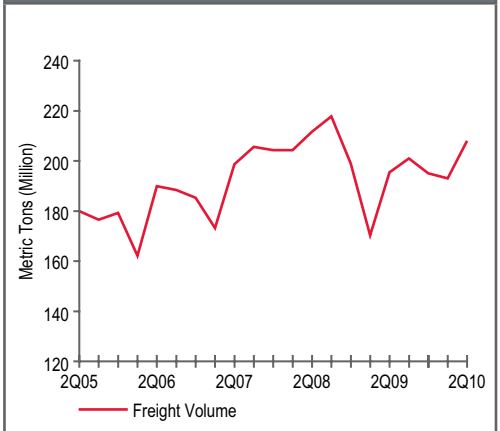
Exports from Shanghai have continued to grow strongly in recent months, with y-o-y increases in exports in June, July and August of 44.2%, 38.8% and 25.5%, respectively. Export values are now above pre-global crisis levels, with exports from January to August 3.0% higher than in the same time period in 2008. Trade with ASEAN countries grew by 68.2% y-o-y in 1H10 and continued to play a crucial role in the overall increase in Shanghai's trade volume. Export values generated by transit storage trade grew by 98.0% in 1H10, significantly outpacing growth in general trade and processing trade. Transit storage trade is an important driver of demand for bonded warehouse space, which is reflected in the increasing net absorption in the bonded warehouse market. In 3Q10, bonded net absorption was 59,344 sqm, the highest total since 1Q08. While demand remained strongest in the Waigaoqiao sub-market, demand in the Lingang sub-market also began to recover. Notable leasing transactions this quarter included: Joysun Group leasing 2,000 sqm and IDS Logistics leasing 2,532 sqm in Phoenix Waigaoqiao Bonded Logistics Park and Bondex Group taking up an additional 5,000 sqm in GLP Park Lingang and becoming the project's sole tenant. Demand for non-bonded distribution space remained high, particularly in the West Shanghai sub-market. Non-bonded net absorption totalled 103,086 sqm this quarter with the vacancy rate dropping to 7.1% from last quarter's 8.9%. Much of the net take up resulted from build-to-suit developments and with available space in the market very limited, there were few large leasing transactions. Notable non-bonded transactions included: Future Petrochemical leasing 8,800 sqm in BLogis Park Baoshan; CEVA leasing 6,174 sqm in AMB Jiuting Distribution Centre and Lining leasing 12,000 sqm in Vailog Jiading Logistics Park.

Container Throughput - Shanghai



Source: Government Statistics Bureau

Freight Traffic Volume - Shanghai



Source: Government Statistics Bureau

Supply

Two new non-bonded projects were completed in 3Q10, both in the West Shanghai market. The 38,052 sqm second phase of Vailog Songjiang Logistics Park, a build-to-suit project for ST-Anda, was completed this quarter. The third and final phase of this project is scheduled to be delivered in 2Q11. Phase III of Shenchu Logistics Park in Minhang was also completed this quarter, adding 23,000 sqm of leasable space to the West Shanghai sub-market where vacant space is limited.

Asset Performance

Rental growth in both the bonded and non-bonded markets accelerated in 3Q10. After bonded rents grew last quarter for the first time since 3Q08, bonded rental growth sped up to 3.8% q-o-q this quarter, the fastest increase since 4Q07. In the non-bonded market, rents grew for the fourth straight quarter. This quarter's 2.6% q-o-q rental increase was the quickest growth seen in two years, allowing rents to reach an average of RMB 1.0 per sqm per day for the first time since 3Q08.

12-month Outlook

In the non-bonded market, the future supply is concentrated in the West Shanghai sub-market. One project, the 22,000 sqm Minhong Logistics Park, is expected to be completed in 4Q10. Other development projects have been delayed to 2011, leaving little space available for lease. As a result, developers in this market are likely to continue to aggressively raise rents. There is no bonded supply in the pipeline for the near future. In the investment market, a number of transactions are currently under negotiation and expected to be completed over the next few months. While the majority of the transactions involve non-bonded assets, investors are also considering bonded assets in Lingang because of the lack of available quality non-bonded projects and because of long-term optimism for the performance of the Yangshan Port and Lingang.

Rental Information	
Rental Value^	RMB 0.99 psm per day
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	1

12-Month Outlook			
Rental Value		Capital Value	

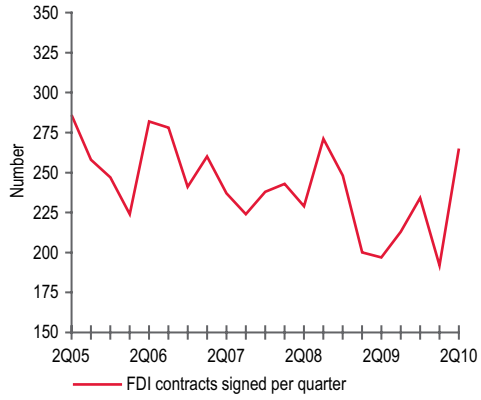
Guangzhou: Industrial

Demand

Leasing activity in the warehouse market continued to gather momentum on the back of robust domestic demand and the continuing recovery in global export markets. Through January-August, total retail sales were up by 19.4% y-o-y while total exports were up by 36.2% y-o-y. Demand for non-bonded warehouses was particularly strong this quarter with both 3PLs and end-users seeking to expand operations. Online fashion apparel retailer VANCL and Shanghai Nittsu Puling Logistics for example, each expanded existing operations in AMB Guangzhou Development Zone District Center, by leasing an additional 4,000 sqm and 3,500 sqm, respectively, while Heesung Electronics, a subsidiary of South Korean LG, leased 4,000 sqm in the same facility. The active leasing environment saw the overall vacancy rate further tighten, from 13.8% at end-2Q10 down to 12.5% by end-3Q10.

Demand for business parks during the quarter was driven primarily by the requirements of domestic IT, software, telecommunications, e-business and out-sourcing companies. Revenco and Pacific Online for example, each reached agreements with Tianhe Software Park to relocate their headquarters, R&D and operation centers to Gaotang sub-park, with Pacific Online purchasing a 29,000-sqm office for self-occupancy.

F.D.I. Contracts - Guangzhou



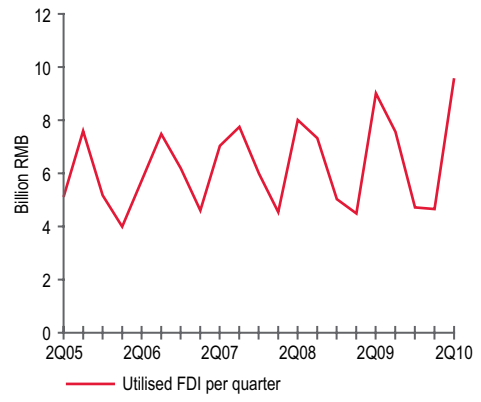
Source: Guangzhou Statistical Bureau

Supply

The warehouse market was highlighted by the completion of the first phase of P&G's new 60,000-sqm distribution centre in Guangzhou Development District in Luogang district. The purpose-built facility, which will be solely occupied by P&G, is the company's largest distribution centre in Asia and second largest in the world.

Supply in the business park segment of the market was boosted by the completion of Towers 1, 4 and 5 of Animated Cartoon Style Online Game Park in Gaotang New Park, adding a further 80,000 sqm to the city's stock. The new facilities will primarily cater towards occupiers from the online game industry.

Utilised F.D.I. - Guangzhou



Source: Guangzhou Statistical Bureau

Asset Performance

Backed by growing demand and tightening vacancy rates, warehouse rents continued to edge higher, on average, by 0.4% q-o-q in 3Q10. Meanwhile, the strong performance of various sub-parks within Tianhe Software Park contributed to average business park rent by rising 1.9% q-o-q.

12-Month Outlook

Although the recovery of global trade markets remains less than assured, the growth in domestic demand suggests that any slowdown or regression in the global recovery is unlikely to significantly impinge on the growth of the city's warehouse market. Coupled with a low vacancy environment and dwindling supply pipeline, we expect rents to continue to trend higher over the next 12 months.

The government's aim to move the economy up the value-add chain and commitment to build more business parks is expected to continue to help stimulate demand for business parks in the foreseeable future. Although rents at business parks in prime areas and with low vacancy rates are expected to continue to trend higher over the next 12 months, the completion of new supply in decentralised areas is expected to keep rents in the overall market broadly stable.

Rental Information (Business Parks)	
Rental Value^	RMB 584 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	6

^ net, on GFA

12-Month Outlook			
Rental Value	➤	Capital Value	NA

Tianjin: Industrial – Logistics

Demand

To benefit from Tianjin's strong manufacturing industry, service providers for leading manufacturers, such as Samsung and P&G, rented space in warehouses close to their clients' factories. The newly completed Mapletree Tianjin Airport Logistics Park also successfully pre-leased space to several domestic logistics operators; ZJS Express being among the more notable.

Other than the usual demand from third-party logistics (3PLs) providers and manufacturers, the market saw growth in demand from the retail sector, particularly fashion, home shopping and fast moving goods business lines. Examples of take-up in 3Q10 include Metersbonwe and Tiantian Home Shopping leasing 5,500 sqm and 2,000 sqm, respectively, in GLP AIP Logistics Center in the airport area.

Supply

Following the completion of Haitian Warehouse in East Port two years ago, Mapletree's second project in Tianjin – Mapletree Tianjin Airport Logistics Park – was the only new supply in 3Q10. The project delivered 58,000 sqm of non-bonded warehouse space to the Tianjin Airport Economic Area. Overall vacancy rose 4.2% in 3Q10 to 23.4%.

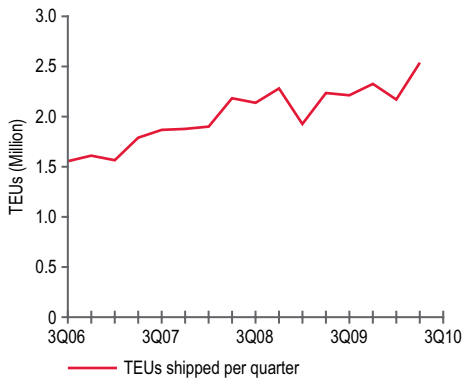
Asset Performance

Demand contracted in 2009 as economic growth slowed and rents began to decline. However rents bottomed out in 1Q10 and climbed 0.5% q-o-q in 3Q10 to average RMB 0.78 per sqm per day. The major driver of growth was demand for non-bonded properties.

12-Month Outlook

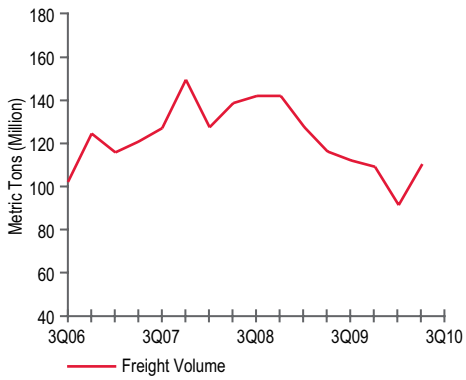
Owning to the positive outlook for Tianjin's logistics market, a number of international logistics developers, who are already operating in or planning to step into Tianjin, are actively seeking additional land or existing facilities to develop. However, it will take some time until these deals materialize and it won't be surprising if some of these projects are delayed. Rentals are expected grow steadily, with demand picking up further and moderate levels of supply entering the market.

Container Throughput - Tianjin



Source: Government Statistics Bureau

Freight Traffic Volume - Tianjin



Source: Government Statistics Bureau

Rental Information (Logistics)	
Rental Value^	RMB 0.78 psm pd
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	3

^ net effective, on GFA

12-Month Outlook			
Rental Value		Capital Value	

Hong Kong: Industrial – Warehouse

Demand

Hong Kong's external trading sector continued to grow strongly on the back of ongoing improvements in key export markets in 3Q10. Through July-August, total exports were up by 28.1% y-o-y, slightly faster than 27.2% y-o-y growth posted in 2Q10.

Improvements in the external trading sector and regional economy led a number of end-users to reactivate expansion plans. Some of the notable expansions undertaken by end-users during the quarter included: Avent Hong Kong leasing 33,930 sq ft in Dynamic Cargo Centre in Tsuen Wan; Sony DADC HK leasing 34,140 sq ft in YKK Building Phase 2 in Tuen Mun; and YEL Electronics HK leasing 33,930 sq ft, also in Dynamic Cargo Centre.

The investment market was highlighted by the reported sale of Goodman's Seaview development site in Tsuen Wan to local developer Billion Development, who are planning a non-industrial development for the site, for HKD 875 million. Sales of properties with a lump sum over HKD 20 million, dropped noticeably compared to the previous quarter. En bloc warehouse properties sold in 3Q10 included: UTI Logistics Centre in Tuen Mun for HKD 230 million (HKD 1,438 per sq ft) and Central Trading Centre in Fanling HKD 121 million (HKD 1,342 per sq ft).

Supply

There were no new warehouse developments completed in 3Q10. The sale of Goodman's Seaview development site significantly reduced the supply pipeline for the Hong Kong warehouse market. With Goodman's other warehouse facility, Interlink, close to 70% pre-leased, New World Development's 692,092-sq ft facility, which is currently under construction, will be the only other major new supply in the city's commercial warehouse market over the next three years. However, at the time of writing, there were reports that a foreign 3PL operator was close to leasing the facility in its entirety.

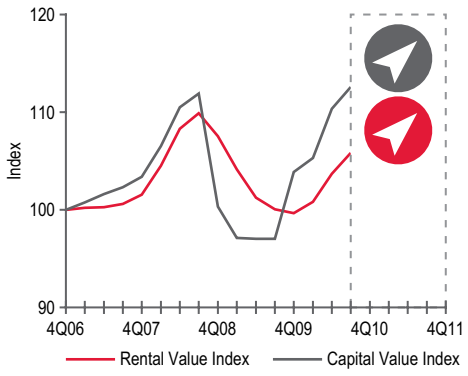
Asset Performance

The pick-up in the volume of active enquiries in the leasing market led to landlords lifting rents, on average, by 2.1% q-o-q during the quarter. Although the momentum arising from the announcement of the government's revitalisation policies in late 2009 appeared to be waning, capital values nonetheless continued to trend higher, up 2.1% q-o-q in 3Q10.

12-Month Outlook

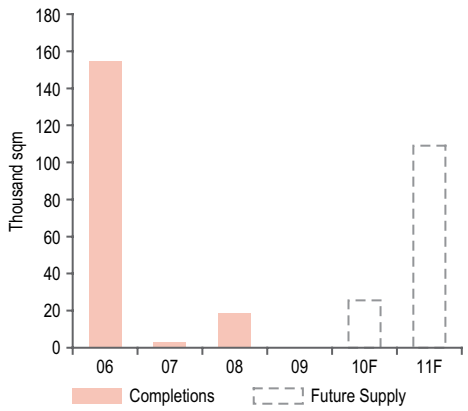
Looking ahead, the gradual recovery in global trade markets is expected to translate into stronger demand for warehouses as evident by the pick-up in enquiry volumes in 3Q10. Although a rising Renminbi may exert some pressure on exports growth, the risk of a double dip recession in key export markets now seems increasingly unlikely. Coupled with a diminished supply pipeline, we expect rents to further strengthen over the next 12 months.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, completions are year end annual.
For 2010, completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	HKD 7.2 psf pm
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	3

^ net, on GFA

12-Month Outlook	
Rental Value	Capital Value

Singapore: Industrial – Business Parks

The high-tech market saw further recovery in 3Q10 as the manufacturing sector continued to drive GDP growth, boosting demand for industrial space. Rental values rose for the second consecutive quarter as they continued to recover from a low base following the steep drop seen over the last two years. Capital values for high-tech space also continued to grow strongly.

Demand

In August, manufacturing output increased by 8.1% y-o-y, although it fell by 6.3% m-o-m. The electronics sector continued to perform strongly, with output increasing by 32.8% y-o-y, driven by growth in the semiconductor segment on the back of strong demand for consumer electronics. However, the volatile biomedical manufacturing cluster saw output decline by 29.0% y-o-y, a sharp contrast to the 122.0% y-o-y increase in output in May 2010. Indeed, excluding the biomedical manufacturing cluster, output increased by 2.3% m-o-m in August.

To meet growing demand, JTC released another site at one-north, which will be launched under the concept and price tender programme. The site, which has an area of 0.96 ha, will form the fifth phase of the Biopolis development and will provide additional laboratory buildings at the R&D hub. DBS Bank also opened its new purpose built back office facility, DBS Asia Hub, at Changi Business Park this quarter. The new building, which is more than 31,500 sqm in size, will house over 40% of the bank's Singapore staff, accommodating the technology and support functions.

Supply

There were no new completions of business park space in 3Q10, and 117,000 sqm of business park space has been added to stock so far this year. There are two further projects in the pipeline that are scheduled to complete in 4Q10, adding 71,000 sqm of space to the market. Solaris, a development by SB (Solaire) Investments Pte Ltd, will add 37,000 sqm to total stock. The development, which is an extension of the Fusionopolis research cluster at one-north, is already 60% pre-leased ahead of its completion by the end of the year. Companies that have signed leases at the development include Spring Singapore, a government agency that will take-up around 15% of the total NLA, software designer Autodesk and video games creator and publisher Ubisoft. Phase three of Biopolis is also scheduled to complete in 4Q10, adding 34,000 sqm of new supply to the market.

Asset Performance

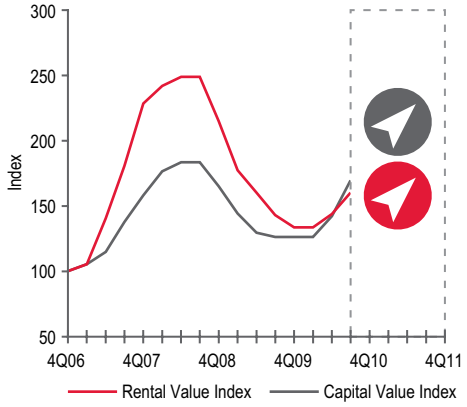
Rental values for high-tech space saw continued growth in 3Q10 as rents increased from a low base. High-tech rents grew by 11.4% q-o-q to SGD 273 per sqm per annum in 3Q10.

Capital values grew strongly in 3Q10 as the strong manufacturing performance helped boost demand for industrial space. Capital values increased by 19.4% q-o-q to SGD 370 per annum. Investment activity remained subdued and the major investment sale this quarter was at 29a International Business Park, which was sold for SGD 145 million.

12-Month Outlook

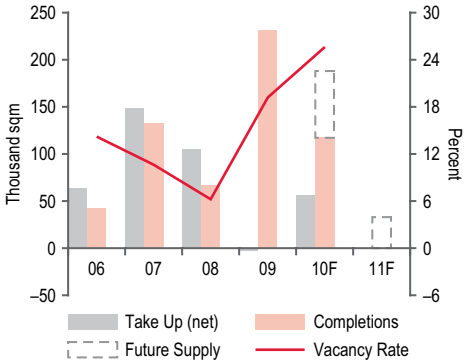
Demand for high-tech space is expected to remain steady over the next 12 months as the market improves. Rents should continue to grow as they are unlikely to remain at current low levels given the recovery in demand. Vacancy rates should start to fall as less new space is scheduled to complete next year and better demand means that more vacant space will be absorbed.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up, completions and vacancy rates are year end annual. For 2010, take-up, completions and vacancy rate are YTD while future supply is for 4Q10 and 2011.

Rental Information (Business Parks)	
Rental Value^	SGD 273 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Peak	8

^net effective, on NLA

12-Month Outlook	
Rental Value	Capital Value

Sydney: Industrial

Tenant Demand

Tenant demand has picked up in 2010 as larger occupiers look for efficient, new warehouse and distribution space. Pre-lease and D&C deals have been the major driver of gross take-up so far this year. Leasing demand for existing space has been patchy. However, two major deals were recorded in the South Sydney precinct this quarter and have reduced vacancy in that precinct to very low levels. There were also two major D&C deals announced in the Outer West of Sydney where development land is more plentiful.

Gross take-up was 55,000 sqm in 3Q10. This quarter, major deals were driven by manufacturers and business services groups. Major users seeking new space have previously been retailers or logistics specialists.

Supply

There was 68,200 sqm of new projects completed in 3Q10. There is now 99,700 sqm of new stock under construction due to complete in 4Q10. Another 104,100 sqm is under construction and due to complete in 2011. This is well below historic averages. The current pre-commitment rate for all new stock under construction in Sydney is 80%. New development project starts are accelerating as a result of tenant pre-commitments to major projects.

Asset Performance

Rental levels generally remained stable over 3Q10. The exception was the South Sydney precinct in which prime net face growth was approximately 4% q-o-q this quarter. South Sydney is in a strategic location close to the airport and shipping port with limited industrial development potential. In the outer west of Sydney there is evidence of pre-lease deals being struck on terms that will not put much upward pressure on existing stock face rents.

Average land values remain stable within most monitored Sydney precincts. The exception is for smaller lot sizes in the South Sydney and Inner West precincts where site sales are being driven by owner occupiers and alternate use developers.

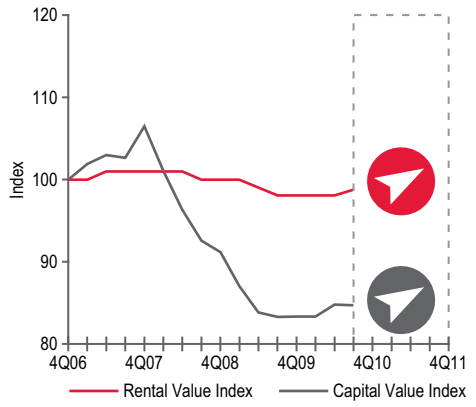
There were only three major sales in 3Q10 totalling AUD 43.1 million. Volumes are expected to reflect an increase in 4Q10 as several portfolio sales are currently in the market. Average prime investment yields have remained stable in all precincts and are firming moderately in select precincts for prime grade stock. Prime grade yields range from 7.75% to 9.75% across the monitored Sydney precincts (reflecting the upper range in South Sydney and the lower range in the Outer South West).

12 Month Outlook

Tenant demand is expected to continue to improve over the next 12 months. Supply is expected to trough in 2010 and pick up throughout 2011. Face rents are expected to record moderate positive growth for prime stock, returning to trend in 2011 on the back of broad-based positive demand.

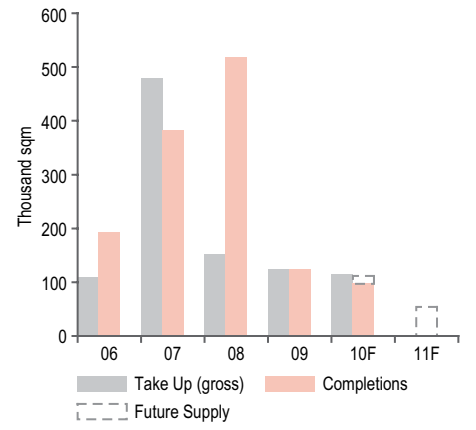
Investment sales will continue to be well contested by private buyers with renewed interest evident from both international and domestic institutional investors for the right product. Prime grade yields are forecast to record moderate compression during 2011.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up and completions are year end annual. For 2010, take-up and completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	AUD 102 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	5

^ net, on GFA

12-Month Outlook	
Rental Value	Capital Value

Melbourne: Industrial

Demand

Tenant demand is improving across the Melbourne industrial sector. Gross take-up totalled 88,200 sqm across the Melbourne Industrial sector in 3Q10. In the West, there were two Design & Construct transactions including Silk Logistics committing to 35 Fulton Drive, Derrimut (12,000 sqm).

The North market has experienced an over-supply of space since the speculative completion of the Somerton Logistics Centre. In 3Q10, Caterpillar leased 30,746 sqm and a high proportion of space at the estate is now leased.

Supply

There were 122,500 sqm of completions across the Melbourne industrial sector in 3Q10. The space was 100% pre-leased upon completion. Three of the completions were in the West (38,000 sqm), including the Angliss Building Estate. In the South East, the Cadbury Australia facility at the corner of Ordish & Green Road, Dandenong (27,000 sqm) reached practical completion.

Approximately 303,000 sqm of new supply is under construction and scheduled to complete by 2012. Over 80% of the space is pre-leased. There have been few tests of the speculative market in Melbourne over the past 18 months. With tenant demand improving, there is expected to be an increase in speculative development in the West precinct. However, the level of activity will be significantly below the 2005–2007 period.

Asset Performance

Prime net existing rents were unchanged in the South East and North precincts at AUD 76 per sqm per annum and AUD 66 per sqm per annum, respectively. In a sign of improving demand, prime net existing rents increased by 1.5% q-o-q in the West to average AUD 69 per sqm per annum.

Demand for serviced land has improved with increased activity in the 2,000 sqm to 2 hectare size range. In 3Q10, land values for an average standard serviced allotment (2,000 sqm) were AUD 250 per sqm (Dandenong) and AUD 165 per sqm (Laverton North). In Campbellfield, land values increased by AUD 10 per sqm to AUD 185 per sqm.

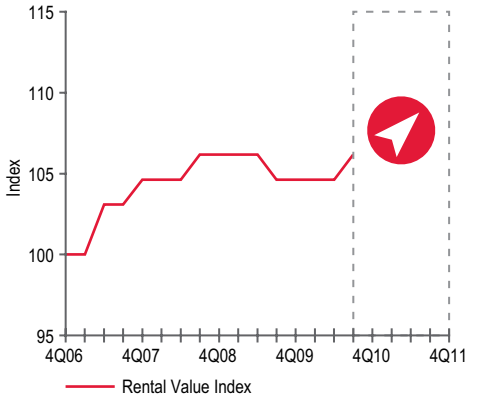
Prime indicative investment yields were unchanged in 3Q10. Prime yields ranges were at 7.75% to 8.75% (West), 8.00% to 9.00% (South East) and 8.25% to 9.25% (North).

There were 10 transactions (greater than AUD 5.0 million) recorded in 3Q10 totalling AUD 157.52 million. In a sign of improving sentiment, there was an increase in activity above AUD 20 million. Whilst private investors, and to a lesser extent corporates, remain the most active purchaser cohorts, the Charter Hall Direct Industrial Fund acquired 13-20 Horsburgh Drive, Altona North for AUD 23.2 million, reflecting an initial yield of 8.62%.

12-Month Outlook

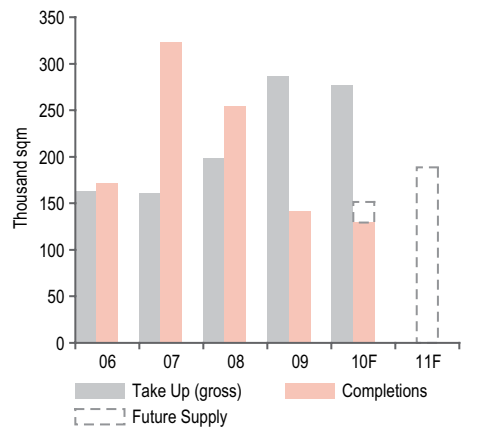
The demand outlook for the industrial sector is firming with increased container throughput recorded at the Port of Melbourne. Vacancy remains low in institutional grade stock and the recent activity in the South East and North has absorbed some of the spare capacity in the market. In line with an improving demand environment, rents for existing facilities are forecast to rise in 2011.

Financial Indices



Arrows indicate 12-month outlook
Index base: 4Q06 = 100
Source: Jones Lang LaSalle

Physical Indicators



Source: Jones Lang LaSalle

For 2006 to 2009, take-up and completions are year end annual. For 2010, take-up and completions are YTD while future supply is for 4Q10 and 2011.

Rental Information	
Rental Value^	AUD 69 psm pa
Stage in Cycle	Rents rising
No. of Quarters Since Last Trough	1

^ net, on GFA

12-Month Outlook			
Rental Value		Capital Value	NA

About Jones Lang LaSalle Research

Jones Lang LaSalle Research is a multi-disciplinary professional group with core competencies in economics, real estate market analysis and investment strategy. The group is able to draw on an extensive range and depth of experience from the Firm's network of offices, operating across more than 700 cities worldwide. Our aim is to provide high-level analytical research services to assist practical decision-making in all aspects of real estate.

The Asia Pacific Research team produces a range of outputs to assist clients of the Firm with their decision making, including comprehensive market monitoring and analysis across major institutional grade real estate markets in the region; forecasts of key real estate indicators; consultancy projects; thought leading research papers on topical issues as well as regular publications.

We deliver a range of global, regional and local publications including:-

1. Real Estate Daily – Providing daily updates on the real estate markets across Asia Pacific allowing clients to keep their finger on the pulse.
2. Asia Pacific Property Digest – A quarterly compendium of recent market trends and issues
3. White Papers – In depth thought leadership reports on a range of topical issues relating to the real estate market.
4. Global Market Perspective – A monthly thought leadership report which provides insight on global market conditions and issues.



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Real Estate *Intelligence* Service (REIS)

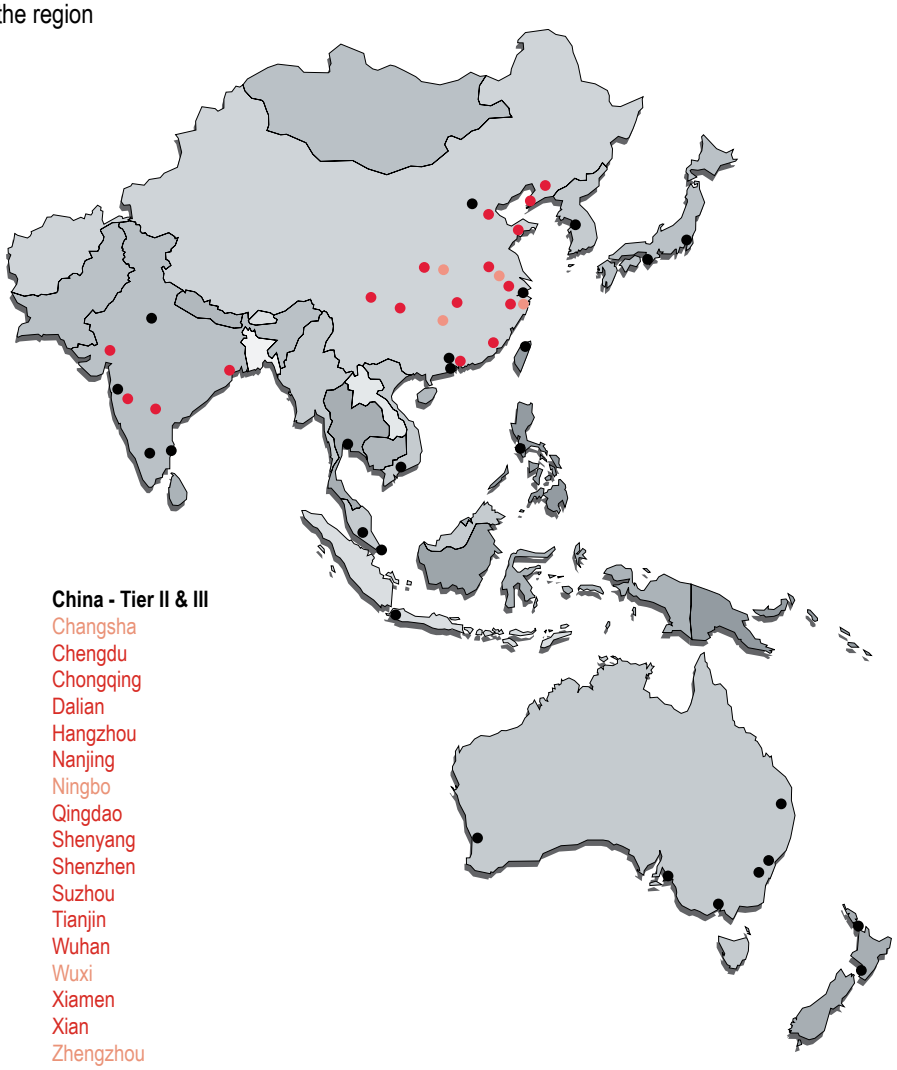
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REIS helps clients to:

- proactively identify emerging risks and opportunities
- formulate and refine investment and development strategies
- benchmark asset performance
- project future asset performance
- compare and contrast markets across the region

Sectors

- Investment grade office
- International standard retail
- Luxury residential
- Prime industrial



● **Tier I** ● **Tier II** ● **Tier III**

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Bangkok
Beijing
Bengaluru
Chennai
Delhi
Guangzhou
Ho Chi Minh City
Hong Kong
Jakarta
Kuala Lumpur
Manila
Mumbai
Osaka
Seoul
Shanghai
Singapore
Taipei
Tokyo

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Adelaide
Brisbane
Canberra
Melbourne
Perth
Sydney

New Zealand - Tier I
Auckland
Wellington

India - Tier II
Ahmedabad
Hyderabad
Kolkata
Pune

China - Tier II & III
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Chengdu
Chongqing
Dalian
Hangzhou
Nanjing
Ningbo
Qingdao
Shenyang
Shenzhen
Suzhou
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Wuhan
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For subscription details and enquiries, please contact:

Dr Jane Murray
Head of Research – Asia Pacific
+852 2846 5274
jane.murray@ap.jll.com

Michael Klibaner
REIS China
+86 21 6133 5707
michael.klibaner@ap.jll.com

Joanne Henderson
REIS Australia
+61 2 9220 8528
joanne.henderson@ap.jll.com

Roddy Allan
REIS Asia Pacific
+852 2846 5790
roddy.allan@ap.jll.com

Abhishek Kiran Gupta
REIS India
+91 22 6141 6512
abhishekkiran.gupta@jllm.co.in

Chris Dibble
REIS New Zealand
+64 9 366 1666
chris.dibble@ap.jll.com

Jones Lang LaSalle Research - Asia Pacific

ASIA PACIFIC
Dr Jane Murray
Head of Research – Asia Pacific
+852 2846 5274
jane.murray@ap.jll.com

GREATER CHINA
Michael Klibaner
Head of Research – China and Shanghai
+86 21 6133 5707
michael.klibaner@ap.jll.com

Marcos Chan
Head of Research – Greater Pearl River Delta
+852 2846 5276
marcos.chan@ap.jll.com

Beijing
Meggie Qin
Head of Research – Beijing
+86 10 5922 1379
meggie.qin@ap.jll.com

Guangzhou
Silvia Zeng
Manager
+86 20 3891 1238
silvia.zeng@ap.jll.com

Chengdu
Shelly Xie
Associate Director
+86 28 8665 1022
shelly.xie@ap.jll.com

Qingdao
Winnie Ning
Assistant Analyst
+86 532 8579 5800
winnie.ning@ap.jll.com

Tianjin
Stefanie Zou
Manager
+86 22 8319 2233
stefanie.zou@ap.jll.com

Taipei
Howie Wang
Research Associate
+886 2 8758 9886
howie.wang@ap.jll.com

Macau
Alvin Mak
Manager
+853 2871 8822
alvin.mak@ap.jll.com

NORTH ASIA
Japan
Takeshi Akagi
Head of Research and Advisory
– Japan
+81 3 5501 9235
takeshi.akagi@ap.jll.com

South Korea
Darren Krakowiak
Head of Research and Consulting
– South Korea
+82 2 3704 8836
darren.krakowiak@ap.jll.com

SOUTH EAST ASIA
Singapore
Dr Chua Yang Liang
Head of Research
– South East Asia and Singapore
+65 6494 3721
yangliang.chua@ap.jll.com

Indonesia
Anton Sitorus
Head of Research – Indonesia
+62 21 515 5665
anton.sitorus@ap.jll.com

The Philippines
Claro Cordero
Head of Research – Philippines
+63 2 902 0887
claro.cordero@ap.jll.com

Thailand
Dan Tantisunthorn
Head of Research – Thailand
+66 2 624 6420
dan.tantisunthorn@ap.jll.com

Vietnam
Joseph Yee
Head of Valuation and Advisory
+84 8 3910 4636
joseph.lee@ap.jll.com

Malaysia
(Jones Lang Wootton in association with Jones Lang LaSalle)
Malathi Thevendran
Executive Director – Research
+60 3 2161 2522
malathi@jlwmalaysia.com

WEST ASIA
India
Abhishek Kiran Gupta
Head of Research and REIS
+91 22 6141 6512
abhishekkiran.gupta@jllm.co.in

AUSTRALASIA
David Rees
Head of Research – Australasia
+61 2 9220 8514
david.rees@ap.jll.com

New Zealand
Chris Dibble
Research and Consulting Manager
+64 9 366 1666
chris.dibble@ap.jll.com

JONES LANG LASALLE®

Real value in a changing world

Jones Lang LaSalle offices

Asia Pacific
9 Raffles Place
#39-00 Republic Plaza
Singapore 048619
tel +65 6220 3888
fax +65 6438 3361
www.joneslanglasalle.com.sg

Americas
200 East Randolph Drive
Chicago IL 60601
tel +1 312 782 5800
fax +1 312 782 4339
www.am.joneslanglasalle.com

EMEA
22 Hanover Square
London W1A 2BN
tel +44 20 7493 6040
fax +44 20 7408 0220
www.joneslanglasalle.co.uk

Jones Lang LaSalle worldwide

ASIA PACIFIC
Adelaide
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