



CB Richard Ellis Reports Asian Industrial Property Markets Remained Largely Upbeat in the First Half of 2007

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PR9.NET September 29, 2007 - Beijing, China - The second quarter continued to record upbeat performance in most of Asia's industrial property markets, buttressed by sustained growth in the manufacturing sector and robust demand in logistics facilities. Industrial land prices in China appreciated further following the establishment of a system of minimum industrial land prices and the implementation of mandatory use of market mechanisms in the primary sales of industrial land.

In Japan, vacancy at large-scale multi-tenant distribution centres in and around Tokyo edged up by 50 basis points over the quarter to 8.9 per cent, as continued demand from 3PL operators was offset by the completion of new facilities. With a strong development pipeline, competition among landlords to attract tenants intensified, resulting in downward pressure on rents. Despite weaker market conditions, logistics assets continued to attract interest from both overseas and domestic private funds, and market sentiment suggests that the perceived risk premium for the sector is diminishing on the back of its growing acceptance as an investment class.

Average rents for all industrial space in Singapore continued to increase in the second quarter of 2007, with high-tech space posting its highest quarterly increase in five years. Rents are expected to rise further due to supply constraints in the office market and increasing demand amid optimism about business conditions.

The combined effect of the newly opened Hong Kong-Shenzhen Western Corridor and booming trading activity in Hong Kong has ensured that demand for local industrial properties persisted and property values continued to rise in the second quarter. However, limited stock and multiple ownership of local industrial properties made large-scale acquisitions difficult and smaller industrial buildings made up most of the quarter's en bloc transactions.

In Mainland China, the second quarter saw full implementation of the policies requiring industrial land to be sold through public bidding, auction and listing. Industrial property rents and prices in cities under survey generally continued to increase or remained stable.

In Beijing, the average industrial rent was RMB 52.1 per square meter, an increase of 2 per cent compared with the first quarter. The price of industrial land, at RMB 1,200 per square meter, registered 4.1 per cent growth compared with the previous quarter. The land use rights of 120 industrial sites in Shanghai were transferred under the new regime during the second quarter. Industrial land prices rose 2.2 per cent quarter on quarter to RMB 898.8 per square meter (RMB 83.5 per square feet), while the average facility rent increased 0.8 per cent to RMB 31.5 per square meter (RMB 2.9 per square feet) per month.

Guangzhou's industrial property market was relatively stable during the second quarter. Both the average rents and land prices for industrial property remained the same as the previous quarter, with rents averaging RMB 25.2 per square meter per month and prices averaging RMB 445.3 per square meter. Chengdu's industrial sector continued to develop rapidly in the second quarter of 2007, with concentrated industrial development zones attracting increasing numbers of enterprises.

In Vietnam, the value of Ho Chi Minh City's industrial output increased by 12.6 per cent quarter on quarter in the first half of 2007, but at a rate slightly lower than the 13 per cent growth rate during the same period last year. Lawsuits regarding leather and footwear exports to Europe and garment and textile exports to the United States have led to the loss of some major contracts, one cause of the drop in the growth rate. However major high-tech investments and industrial park development projects were announced during the quarter. Hanoi's second quarter GDP growth of 11.2 per cent was the highest in the past five years. During the first half of 2007, an estimated US\$120 million of investment capital entered industrial parks, 71 per cent of the amount in the same period of 2006, with the decline due to lack of available space. The total income of FDI enterprises in industrial parks increased sharply as WTO commitments enabled direct transactions with overseas partners with preferential tariffs and trading rules.

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