



Macquarie Real Estate Asia

Singapore Reflates, China Revalues

SINGAPORE EASES RULES TO BOOST STAGNANT PRICES

Property prices in Singapore have been lagging behind comparable markets in the region, rising a scant 2.4% year over year in the first half of the year while prices in Hong Kong have surged 19%. In response, Singapore has relaxed its rules of property financing and foreign ownership to attract investment and lift prices in the face of rising regional competition. Loan-to-value ratio, or the maximum mortgage a residential homebuyer can now borrow from the bank, has been increased from 80% to 90%. Up to half of the minimum required 10% down payment can now be paid by funds from a state-run pension system with the remainder in cash. In addition, the government has decreased the S\$2 million minimum required for foreigners who want to invest in residential properties to become a permanent Singapore resident by 50%.

In another attempt to rejuvenate the market, boost tourism, and help the city to shed its stolid image, Singapore has decided to lift a decades-old ban and allow the building of two integrated resorts with casinos. The casino resorts will be located at Marina Bay near the city center and on the resort island of Sentosa. Formal requests for proposals for the resorts are due by the end of September 2005. Companies currently on the shortlist include MGM Mirage (MGG), Harrah's Entertainment Inc. (HET), Wynn Resorts Ltd. (WYNN), and Las Vegas Sands Corp. (LVS).

It is expected that the considerable changes being made in government policy should have a positive effect on the overall property market in Singapore.

CHINA COOLING

Following the Chinese central government's implementation of tough measures in an effort to stabilize the seemingly rampant growth of property prices and restrain speculative activities, there are signs pointing to a slowdown in price increases in major cities such as Beijing and Shanghai. This will be backed by the modest 2% revaluation of the RMB that took place in July.

Real estate prices in Beijing continue to rise, but their growth is being tempered by the government's efforts to cool down the sector. The government's actions appear to be working as the average house price in Beijing in 2Q 2005 was RMB 7,036 per square meter, representing a 6.5% year over year increase, somewhat lower than the average of 8% in 35 other key cities.

These measures are also having an impact on the development sector of the real estate market. According to the Beijing Statistics Bureau, real estate investment in 1H 2005 was approximately RMB 52.98 billion, 16.1% lower than the same period last year. The same can be said for Shanghai's property sector, where residential property prices fell 1.2% from May to June after the measures were imposed. It is expected that these two cities will maintain a steady growth in the second half of 2005.

LINK REIT REVISITED

The Hong Kong government proposes to relaunch the world's largest REIT, the Link REIT, which was postponed following a legal challenge from an elderly tenant who attempted to curtail the listing. The appeal was recently rejected by the High Court, clearing the way for the listing, which was originally planned for last December. The assets, 151 shopping centers and 79,000 parking spaces in 29 car parks, are located in the heart of the government housing estate in Hong Kong.

It is anticipated that if the Link REIT succeeds, more Hong Kong REITs will follow. Macquarie Goodman is already warehousing industrial properties in Hong Kong that are to be sold in a REIT. Li Ka-Shing's Cheung Kong Holdings has plans to inject assets into its Fortune REIT and seek a second listing in Hong Kong. The Fortune REIT has just completed an acquisition of six Hong Kong shopping malls, boosting its assets from HK\$4.2 billion to HK\$7.8 billion (US\$1 billion).

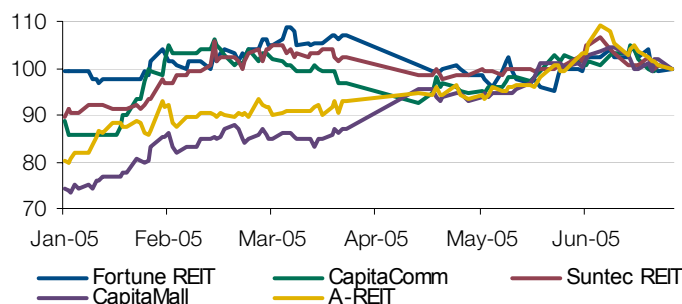
After the recent changes in Hong Kong's rules for REITs, the door has been opened for REITs to own properties/assets outside Hong Kong and to have up to a 45% leverage. These moves are anticipated to attract REITs with mainland Chinese assets and increase the level of competition between Hong Kong and Singapore as preferred listing jurisdictions for these REITs.

Estimated Current Yields for J-REITs and Singapore REITs

J-REITs					
	Yield 1Q 2005	Yield 2Q 2005		Yield 1Q 2005	Yield 2Q 2005
Nippon Building Fund	3.54%	3.02%	Tokyu REIT	3.71%	3.30%
Japan Real Estate Inv	3.62%	3.38%	Global One Real Estate	4.05%	3.18%
Japan Retail Fund	3.51%	3.22%	Nomura Real Estate Office	3.52%	3.18%
Orix JREIT	4.24%	3.51%	United Urban Investment	4.70%	4.01%
Japan Prime Realty Inv	4.09%	3.41%	Mori Trust Sogo REIT	3.75%	3.60%
Premier Investment	3.99%	3.61%			

Singapore REITs					
	Yield 1Q 2005	Yield 2Q 2005		Yield 1Q 2005	Yield 2Q 2005
CapitalMall Trust	4.41%	3.92%	Fortune REIT	4.96%	5.20%
A-REIT	3.72%	4.50%	CapitalCommercial Trust	2.80%	4.12%

Performance of Singapore REITs - 1H 2005



Sources: Bloomberg, Reuters, South China Morning Post, company press releases.

Macquarie Real Estate Investment Banking Asian units provide capital markets and financial advisory services to select real estate operating companies and companies and institutional investors in their Asian transactions.

Sydney
Macquarie Bank Limited
Level 14
No. 1 Martin Place
Sydney, Australia NSW 2000
Tel: (61) 2 8232-9697
Fax: (61) 2 8232-9660

Hong Kong
Macquarie Real Estate Asia Limited
Level 17
CITC Tower, 1 Tim Mei Avenue,
Hong Kong
Tel: (852) 2295-5900
Fax: (852) 2295-5988

Seoul
Macquarie International Limited
7/F., Hanwha Building
110 Sogong-Dong, Chung-Ku
Seoul 100-755, Korea
Tel: (82) 2 3782-2800
Fax: (82) 2 3782-2888

Tokyo
Macquarie Properties Japan Ltd.
16/F, Shiroyama JT Trust Tower
4-3-1 Toranomon, Minato-ku
Tokyo 105-6016, Japan
Tel: (813) 5403-4600
Fax: (852) 5403-4646