Now you're thinking.

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FOR IMMEDIATE RELEASE

HAPPY ANNIVERSARY – BUT NOT EXACTLY HAPPILY EVER AFTER

On the 10th anniversary of the 1997–98 crisis, a new global financial cataclysm has befallen Asia. Epically bad economic news recently has included a record plunge in exports, a virtual standstill in industrial production, and the evaporation of foreign capital. In real estate, markets with the largest run-ups in rents and values in 2006 and 2007 are headed for spectacular declines in 2009, and, at best, mediocre returns for the duration of the forecast. Is this Great Recession a buying opportunity or a "do not enter" sign?

Asia's Low Office Vacancies Are Rising – Fast

Investors who took comfort in Asia's low, low vacancy rates and steady demand are dealing with a rude surprise — office vacancies are headed toward record levels in Tokyo, in Seoul, in Hong Kong, and in Mumbai (see *Exhibit 1*). Tokyo is already four quarters into the largest decline in office space demand on record, while in Shanghai's Pudong Submarket, vacancies spiked from 4% to 12% in a single quarter — and are headed for 40%!

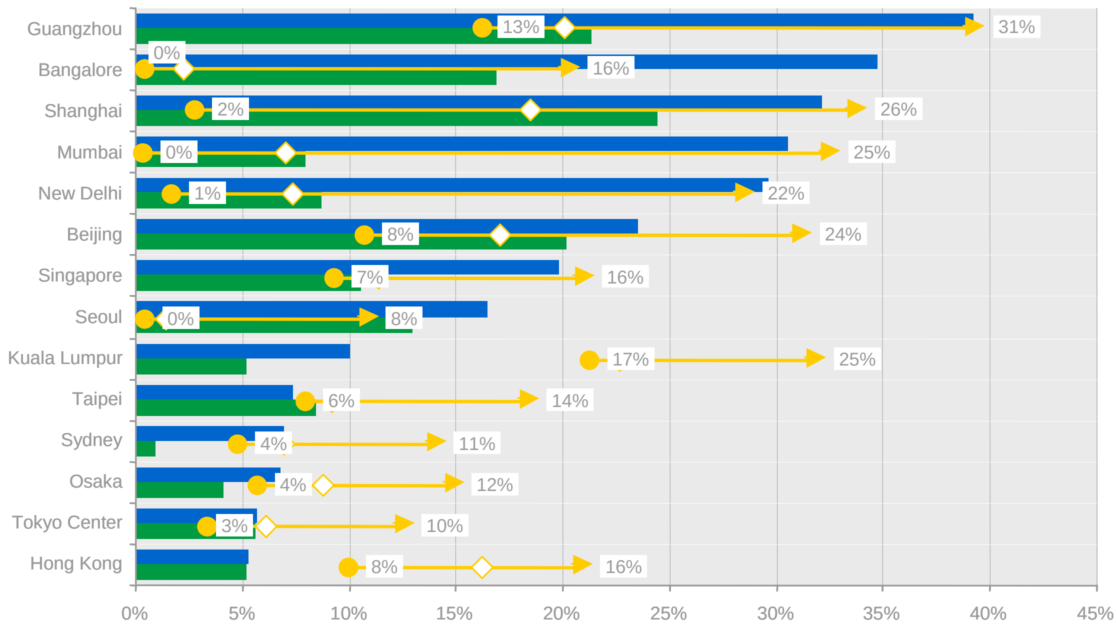
Who Left the Supply On?

Unfortunately, massive additions to supply are coming in many Asian markets. Beijing, Shanghai (especially the Pudong Submarket), Mumbai, and Hong Kong will be swamped in 2009 and 2010, and Seoul and Singapore will undergo remarkable redevelopment in the next five years. Asia's cities, emerging and developed alike, need more supply and modernized space — just not now!

Rents and Values Have Peaked – and 2007 Looks a Lot Like a Bubble.

The performance of Asian real estate since 2005 was exceptional — in that the long-term secular trend for rents in most Asian markets has been down. Oversupply in the early 1990s was followed by a recession, which fed into the 1997 Asia crisis, then to the tech wreck, and then to SARS — and now the "Great Recession" will send rents and values sharply lower once again. As in the '90s, the recovery for Asia's office markets will take time, as sky-high vacancies limit rent growth and supply dampens the effects of an economic recovery (see *Exhibit 2*).

EXHIBIT 1: SEVERE SUPPLY RISK ACROSS ASIA

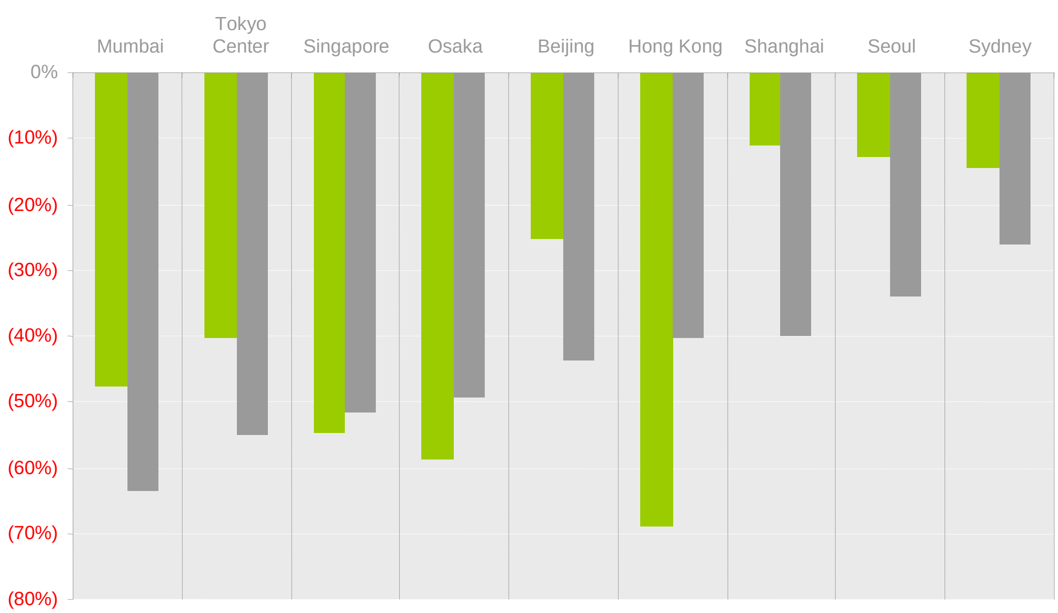


Source: PPR

% Change in Demand, 2008-2013
% Change in Supply, 2008 - 2013
Lowest Vacancy, 2006-2008
Current Vacancy
Forecast Peak Vacancy

EXHIBIT 2: THE ASIA CRISIS REDUX?

Office Value Losses: 1997-98 Asia Crisis vs. 2008 Recession (forecast)



Source: PPR

Value Losses during 1997-98 Asia Crisis (peak to trough)
Forecast Peak to Trough Value Losses, 2008 Recession

Warehouse and Retail Will See Even Worse Losses – but an Earlier Recovery

Exports lead the way in Asia, and in 2009 have led to economic contraction, disinvestment, and consumer retrenchment. It is no surprise, then, that the warehouse and retail space will bear the brunt of the economic woe. But exports will lead the way out of the recession too, and Asian governments are already looking for ways to encourage their fiscally prudent households to spend, spend, spend. As a result, warehouse and retail will see a swifter bounceback. Office employment will take longer to materialize, and office oversupply will delay the rebound (see *Exhibit 3*).

EXHIBIT 3: RETAIL AND WAREHOUSE WILL SEE THE EARLIEST RENT RECOVERIES

Average Annual Rent Growth Following Rent Trough

Source: PPR. Markets not shown do not see a recovery in rents early enough to calculate an annual rent change.