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ASIA MARKET SNAPSHOT Q1 18

CAPITAL MARKETS & INVESTMENT SERVICES

POSITIVE GROWTH AND POLICIES BOOST ASIA'S PROPERTY SECTORS

While the first quarter of 2018 proved unsettled, with concerns about a global trade war and heightened volatility pressuring global markets, Asia's property sector remains buoyant overall, supported by the region's robust growth and forward looking government policies. Massive infrastructure investments in countries such as Japan, China and Indonesia will continue to create opportunities for investors, while major markets like Hong Kong and Singapore are likely to benefit from the perception of property as a relatively safe haven in uncertain times.

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Infrastructure powering ahead

Many Asian governments are pursuing ambitious infrastructure programs that have the potential to transform property markets. In Indonesia, for example, an unprecedented government spending drive has boosted the outlook for developments around up and coming transportation hubs. India, meanwhile, has taken steps to encourage the construction of affordable housing, which should lend momentum to the residential sector, while Japan's property market is expected to remain strong in the run-up to the 2020 Tokyo Olympics. In Chinese cities such as Beijing and Chengdu, steps to improve accessibility and connectivity are enhancing the appeal of decentralised areas, which have seen a marked pickup in buying activity.

Volatility may work in some markets' favour

As political and economic uncertainty dims the outlook for other assets, prime Asian property markets like Hong Kong and Singapore could see more capital inflows. Both the mass and luxury residential markets in Hong Kong continue to hold up well, with a house at Mount Nicholson recently sold for the equivalent of over USD19,000 per square foot. Singapore has seen a surge in residential collective sale activity, with over USD4 billion transacted in the first quarter of 2018 alone approaching three-quarters of the total last year.

Seoul, Bangkok scale new heights

Investment activity looks set to pick up in Seoul's prime office market, with several major deals likely to close in the coming months. The recent purchase of the K-Twin tower by Samsung SRA Asset Management set a new record for South Korea's commercial property sector, recording a unit price of over USD7,000 per sq m. In Bangkok, meanwhile, the sale of the British Embassy site in the commercial heart of the city for USD591 million marked the largest land deal in Thailand's history.

Positive prospects for Shanghai

Shanghai remained China's most active property investment market in the first quarter, with deals totaling over USD2 billion. While recent steps to tighten control over lending to the real estate industry may squeeze some segments of the market, projects with stable income streams will continue to attract investor interest, particularly those aligned with the government's efforts to upgrade the city's industrial base.

Industrial, logistics sector in focus

As regional governments increase their focus on developing or revitalising local industries, industrial property markets are looking more dynamic. In Vietnam, where the industrial sector expanded at a rate of nearly 10% in the first quarter, investors are actively searching for warehousing and logistics opportunities. Similarly in Myanmar, where manufacturing FDI remains close to all-time highs, the sector is poised for strong growth as more companies look to set up shop in the country. The high future growth and development potential of these and other Asian markets mean this is likely to remain a major investment theme for the long term.

Please feel free to contact our relevant investment market experts for further insights and in-depth discussions on key trends and opportunities across this fast-changing region.

BEIJING

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Regulating China's real estate markets, especially in its Tier I cities, will be a top priority for the central government, according to announcements made through the National People's Congress and Chinese People's Political Consultative Conference in the first quarter of 2018.

The Beijing government implemented several new policies in Q1, including "The Opinions on Land Policy for Speeding Up the Construction of a High-Tech Economic Structure" and "Prohibiting the Adjustment of Non-Residential Land for Residential Use Within the 4th Ring". These policies indicate the city's government will continue to control the development of the real estate market.

Due to government controls, the Beijing investment market remained quiet in Q1 with only five transactions recorded, totalling approximately USD438.4 million. Meanwhile, emerging areas of Beijing have shown strong development potential, spurred by population growth and improvements to infrastructure.

As a result, three of the five transactions were in decentralized areas, including Haidian and Yizhuang. Local investors remain the major buying force in the Beijing market where foreign investors continue to show interest but have not yet closed any deals in 2018.

Major Deals to Highlight

- Ascendas sold Novotel Beijing Sanyuan and Ibis Beijing Sanyuan to TPG and China Lodging Group for USD186.4 million. These two hotel assets are located to the north of Sanyuan Bridge in Chaoyang District with a GFA of 32,585 sq m.
- Nan Hai Corporation Limited acquired a 92.36% equity share in Digital Manor, a project with a total GFA of 88,000 sq m, from Sino-i Technology Limited in Yizhuang, Beijing for USD115.3 million. The target property is a five-storey office building with a three-tiered basement.

Beijing will continue to follow the city's development plan, which focuses on overall population control and the development of Tongzhou, the new municipal government centre, and other emerging areas. As the latter add infrastructure and improve amenities, we expect more enterprises and people to relocate to these areas and drive further growth. As a result, investors will continue to show interest in opportunities within these areas, in addition to the existing stock in prime locations.

EN-BLOC TRANSACTIONS
5 transactions
| USD438.4m

BIGGEST DEAL
USD186.4m
Novotel & Ibis Beijing
| Hotel

MAJOR MOVER Q1 2018
Hotel

SECTORS TO WATCH Q2 2018
- Office
- Serviced Apartments
- Retail

CHENGDU

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As the central city and major economic growth driver of Western China, Chengdu's GDP grew at a rate of 8.1% to hit USD220 billion in 2017. The Chengdu government continues to invest heavily in infrastructure development in 2018, as it announced plans to complete 1,305 major infrastructure projects, mainly related to transportation, with a total investment of USD37.3 billion this year. As accessibility improves across the city, decentralized areas have attracted more investor attention and have been the source of five of the first quarter's six transactions. At the same time, projects in prime locations continue to be the main focus for investors.

In Q1, six transactions were recorded with second-hand development sites, and those with residential components continued to be most attractive to investors. We have witnessed five development site transactions, four of which included residential components.

In terms of existing stock, both investors and end-users are seeking quality assets with scope for appreciation and rental upside, especially in the office sector.

Major Deals to Highlight

» Financial Backoffice Service Centre 6A, an office building located in the Gaoxin Dayuan cluster was sold to Vanke for approximately USD82 million.

» Wucai City, a 20-hectare, mixed-use development site located in Pidu district, was sold to Xinyuan Group. The transaction amount has not been announced.

Due to Chengdu's rapid urbanisation and infrastructure development, second-hand development sites will continue to be the most attractive for investors. Office assets in prime locations and matured business parks will continue to be at the top of investors' target list. Land demand for logistics and warehouses remains strong in Chengdu, even as the government's control of the logistics land supply continues to tighten. In addition, government policies and regulations to develop a long-term rental apartment market will draw investors' attention to this sector in 2018.

EN-BLOC TRANSACTIONS
6 transactions

BIGGEST DEAL
Wucai City
| Development Land

MAJOR MOVER Q1 2018
Development Site

SECTORS TO WATCH Q2 2018
» Development Site
» Office
» Logistics

HONG KONG

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The first quarter of 2018 saw the stock market unsettled while the property market remained active. Concerns of a trade war between the United States and China has led to some capital flow into the property market. Institutional investors continue to look for value-add opportunities and some have started considering the suburban mall market and the retail sector while the office and industrial sectors remained the most active sectors.

Both mass and luxury residential sectors continued to perform well, keeping prices up. The recent sale of House 2 at Mount Nicholson for approximately HKD1.4 billion (USD179 million), represented a unit rate of more than HKD150,000 per square foot on saleable area (USD19,230 per square foot). HNA sold three residential sites in Kai Tak, which it acquired from the government in late 2016, turning a profit of 15% in less than 18 months from selling to Henderson Land and Wheelock for close to HKD16 billion (USD2.04 billion) and HKD6.36 billion (USD815 million) respectively.

The office market remains popular among most investors and we have noted some major transactions such as No.18 King Wah Road in North Point, W Square in Wanchai, Bonham Circus in Sheung Wan and nine floors in C-Bons International Centre in Kwun Tong, adding up to approximately HKD16.6 billion (USD2.1 billion).

Major Deals to Highlight

» The Sale of NKIL6565 and NKIL 6562 for HKD15.97 billion (USD2.04 b).

» The Sale of NKIL6564 for HKD6.36 billion (USD815 m).

» The Sale of W Square for HKD2.85 billion (USD365.3 m).

We believe investors will continue to look for office and industrial opportunities especially because the government will soon announce a new policy on revitalising industrial properties. We also believe the impact of interest rates will be minimal at least in 2018 and the investment market should remain active during the year.

The residential sector remains strong and end-user demand continues to grow. That being said, collective sale activity has grown and we see a number of opportunities in the market. Many medium-size developers as well as mainland developers are also actively pursuing these collective sale opportunities as government land sales may be too large for some of these developers to take on individually.

And if the stock market remains volatile in coming months, we anticipate that capital will continue to flow into the property sector, particularly towards large-size transactions.

EN-BLOC TRANSACTIONS
15 transactions
| USD8.38b

BIGGEST DEAL
USD2.09b
NKIL6565 and NKIL6562
| Residential Site

MAJOR MOVER Q1 2018
Luxury Residential

SECTORS TO WATCH Q2 2018
» Luxury Residential
» Office
» Residential Site

INDIA

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India's residential real estate market is seeing signs of a recovery and stabilization, following the impact of the Real Estate (Regulation and Development) Act (RERA) and Goods and Service Tax (GST) in the last six to 12 months. Although the release of fresh inventories has slowed across the country, demand for and absorption of homes especially in the ready-to-move segment for end users has gained considerable pace, thanks to the benefits of nil GST and risk-free possession.

Absorption of affordable housing has also gained momentum this year due to backing from the government which has granted "Infrastructure" status to the segment; established an Affordable Housing Fund (AHF); and, reduced GST to 8% from 12% for under-construction, affordable and low-cost housing, to ensure "Housing for all by 2022".

While the affordable housing segment is stabilising, mid-range and luxury-housing continue to experience a lull in sales and with RERA scheduled for full implementation this year, developers are likely to focus on delivering ongoing projects in time to avoid penalties for non-compliance.

Meanwhile, the commercial real estate leasing segment has been doing well and has seen a further supply of about 9 million square feet of office space in the first quarter.

Major Deals to Highlight

» The Securities and Exchange Board of India purchased IDBI Bank's seven-storey building, measuring 3.21 lakh sq ft of super built-up area, in Mumbai's Bandra Kurla Complex, for about Rs1,000 crores (USD151 million)

» Sanjay Ghodawat Enterprises concluded the sale of its fully leased building Pinehurst, measuring 2.50 lakh sq ft, in Bangalore's Embassy GolfLinks Business Park to Xander Funds for Rs343 crores (USD52 million). Colliers International (India) acted as exclusive advisors to the client for this transaction).

» Indiabulls Dual Advantage Commercial Assets Fund, the private equity arm of Indiabulls Asset Management Company Ltd, has purchased a fully leased commercial tower, measuring 2.35 lakh sq ft of super built-up area, in Skyview Corporate Park, Gurugram, for approximately Rs200 crores (USD30 million), in partnership with Interglobe Real Estate Ventures Ltd, from U.S.-based realty developer Hines India Real Estate Pvt Ltd.

India's recovering residential sector will be coping with the implications of RERA in the coming quarter as more projects come up for registration under the act.

The commercial sector is expected to do well with an expected greenfield office space supply of about 8 million sq ft and substantial demand for warehouse space.

Note: Conversion (1 million sq ft = 10 lakhs sq ft)

EN-BLOC TRANSACTIONS
3 transactions | USD233m

BIGGEST DEAL
USD151m
IDBI Bank's Building, Gurugram | Commercial

MAJOR MOVER Q1 2018
Commercial

SECTORS TO WATCH Q2 2018
» Commercial
» Warehousing

INDONESIA

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In the past quarter, the market has seen several significant investment transactions. Indonesian family offices dominated the market with the acquisition of the former Australian embassy property and a half-way developed office building in the south of Jakarta. We are also seeing a low-key transaction of a hospitality product in Bali for an undisclosed amount from an offshore private equity firm. These transactions demonstrate the growing investor confidence around Indonesia and the broader macro-economic story.

Many developers are betting big on infrastructure by creating Transit Oriented Developments (TODs) in the city and near the airport. The government has been spending an unprecedented amount on infrastructure projects, creating jobs and development opportunities. The government is also demonstrating that it is pro development by increasing the plot ratio for all projects surrounding railways and creating a positive outlook for developers and end-users.

The last quarter saw significant growth in investment in the residential and industrial sectors. Many foreign investors are entering the residential market by acquiring land from developers or forming Joint Ventures (JVs) with Indonesian developers. We are also witnessing the first multi-storey logistic warehouse development in Indonesia by a foreign institutional developer. In the office sector, non-traditional tenants such as start-up companies are acquiring the largest spaces; however, they are paying low rents and putting downward pressure on investor returns.

Major Deals to Highlight

- The former Australian embassy: A family office acquired the land for approximately USD49 million. The land is still zoned for government office and the new owner must wait until 2019 before they can change it to commercial zoning.
- A Chinese-Indonesian JV: An entity focused on the manufacturing sector bought Graha Unilever, a 12,000 sq m office building for USD37 million. This building was previously Unilever Indonesia's headquarters before the company relocated to Bumi Serpong Damai (BSD), west of Jakarta.

Jakarta is still the most popular destination for foreign investors but acquiring land parcels remains challenging. Therefore, many investors choose to partner with local developers who have an immediate pipeline or faster access to land.

In the next quarter, we believe the residential and industrial sectors will remain the primary focus for many investors. There has been a substantial increase in enquiries we have received from foreign investors planning to enter the market. But, stand-alone office and retail are still going to have a hard time due to the amount of supply coming into the market, though well-located mixed-use may have a competitive edge.

Retail space rental has also come under pressure because of the closure of many traditional stores. Many retail centre owners have had to repurpose property vacated by closed retailers by subdividing the space for F&B and lifestyle uses.

EN-BLOC TRANSACTIONS

2 transactions | USD86m

BIGGEST DEAL

USD49m

Ex-Australian Embassy

MAJOR MOVER Q1 2018

Residential

JAPAN

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In March, the government announced that official land prices, as of January 2018, had risen three years in a row. This year, strong demand for hotels from tourists in rural areas, especially Hokkaido, is seen to be driving up prices.

So far in 2018, the supply of office space has been approximately 600,000 sq m, three times more than Q1 of 2017. The vacancy rate is at a historic low of 3% in Tokyo as companies increase spending on office space.

The central bank's policy of monetary easing has pushed yields further down and large office properties that had been on sale for several years were finally sold. Also, platinum properties owned by general corporations finally went on the market and hungry buyers rushed to buy them at record prices.

Major Deals to Highlight

» The Shiba Park Building, with a GFA of 97,200 sq m, was sold to a joint venture of Kansai Electronic Corporation, Tokyo Gus, Keihan Railways and Mizuho Bank for JPY150 billion (USD1.4 billion). The seller was a JV of PAG, ADIC and APL, which had purchased it for USD1.2 billion in 2013.

» The Shin Nisseki Building, located in Tokyo's Marunouchi district, was sold to Nippon Life Insurance by JX holding for JPY50 billion (USD476 million). The deal is inclusive of 70% strata title covering 14,440 sq ft.

» Amway sold its Japan headquarters to Blackstone for JPY35 billion (USD333 million) and leased it back in a deal that was the first such acquisition for Blackstone's core fund.

Bank of Japan Governor Haruhiko Kuroda, who is well known for being a strong advocate of monetary easing, was nominated for another five-year term, so the outlook for 2018 remains optimistic. Most are in favour of the idea that markets will continue to remain strong until the 2020 Tokyo Olympics, thanks to Japan's huge investment in infrastructure. However, some analysts are concerned about the oversupply of hotels and logistics, except in the greater Tokyo area.

BIGGEST DEAL

USD1.4b

Shiba Park Building | Office

MAJOR MOVER Q1 2018

Office

SECTORS TO WATCH Q2 2018

» Land for development

» Development project for hotel and residential

» Urban Retail

KOREA

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Investment activity in Seoul's prime office sector continues to thrive thanks to the abundant liquidity enjoyed by institutional investors. Although only two Grade A deals were closed in the first quarter of 2018, several major deals have either been signed or are in exclusivity and will close in the first half of 2018. In addition, Samsung Group continues to sell its properties in a bid to further enhance its financial soundness in commercial real estate amid increasing interest rates.

Investors continue to show their interest in buildings that could generate stable income through master lease contracts and long-term leases with blue-chip tenants. A growing number of international investors, such as Blackstone, are also seeking opportunities to acquire office buildings in Korea.

Major Deals to Highlight

» The K-Twin Tower, with a GFA of 83,878 sq m, previously owned by KKR and LIM, was purchased by Samsung SRA Asset Management for KRW714 billion (USD597 million), with a unit price recorded at KRW28 million per pyeong (USD 7,129 per sq m). This sale broke the record for the highest unit price for a commercial property transaction in Korea.

» In other submarkets, the most noticeable transaction was the Alphadom Tower in the Pangyo area, which currently enjoys a low vacancy rate. Mirae Asset Management acquired the Alphadom 6-3 Tower from Hana Asset Management for approximately KRW460 billion (USD429 million). In addition, LH plans to sell the Alphadom 6-4 Tower, located near the Alphadom 6-3 Tower, to a public REIT.

Many Grade A buildings, including Centropolis, the Samsung C&T Corporation's headquarters and KDB Life Insurance Tower are being put on the market. The CTCORE(SPC), which oversees Centropolis development, is looking for new investors in advance of the sale and it is predicted that the price of the building will be approximately KRW1 trillion (USD931 million). These deals are expected to further increase the total transaction volume in the first half of 2018. Also, as more investors, including developers and public REITs, become interested in office buildings, the total transaction volume in 2018 should receive an extra boost.

EN-BLOC TRANSACTIONS
8 transactions
| USD2.3b

BIGGEST DEAL
USD597m
K-Twin Tower
| Office

MAJOR MOVER Q1 2018
Office

SECTORS TO WATCH Q2 2018
» Office
» Industrial

MYANMAR

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Myanmar's investment climate was boosted by the announcement of preferred bidder status for the Myanmar Central Railway project by the government in the first quarter. Local conglomerate Mottama Holdings, Oxley Holdings from Singapore and Sino Great Wall from China represent the consortium and are now in negotiations regarding the 63 acres site downtown.

FDI in manufacturing represented a near all-time high for the 2017–2018 financial year, leading to more factories being planned and built, mostly in the Yangon region and Bago. At the same time, ongoing political issues involving Rakhine state appears not to have damaged the overall investment climate.

The retail sector remained robust given the constant demand for new shopping destinations from the local population, and the anticipated liberalization of trade laws should give a further boost to this sector.

The serviced apartments sector is also growing because of weakness in the condominiums-for-rent sector. Serviced apartments are an especially attractive proposition given their quality and affordability.

Demand for office space is growing thanks to falls in rental rates while the industrial and logistics sector is especially strong as more manufacturers and garment companies look to set up shop in the country.

The retail sector remains strong and this trend is expected to continue over the coming quarters as investors look to increase spending on the back of economic growth. Serviced apartments will fill the serious gap in the supply of affordable quality condominiums for rent. The industrial sector remains on investors' radar and the office sector could receive a strong boost if the long-awaited liberalisation of the insurance sector materialises, allowing the entry of foreign participants into the sector.

SECTORS TO WATCH Q1 2018

» Serviced Apartments
» Retail
» Industrial

PEARL RIVER DELTA

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During the National People's Congress and Chinese People's Political Consultative Conference, the central government stated that further development of the Greater Bay Area will be part of a national strategy. The Pearl River Delta (PRD), especially Shenzhen and Guangzhou, will be the key driver for this initiative. The massive investment in regional transportation infrastructure, including major projects such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link; Guangzhou-Dongguan-Shenzhen intercity railway; Shenzhen-Zhongshan highway; Hong Kong-Zhuhai-Macao Bridge; and, numerous urban renewal projects have brought this region's GDP growth to 9.2% YOY, far ahead of the country's average. The high-speed development of the PRD has made it more attractive to investors and transformed the region into one of the most prominent investment markets in China.

As the PRD region continues to develop rapidly, investors have shown great interest throughout the quarter and continue to actively seek opportunities. In Q1 2018, office and long-term rental apartment projects became the most attractive investment opportunities. We witnessed one transaction in each of these two sectors in Shenzhen and two office deals in Guangzhou, with a combined total value of USD675.1 million. Investors have also shown interest in industrial renewal projects by participating in the initial stages of development planning and financing.

Major Deals to Highlight

» RM6979 Phase II, with a total of 168 office units, was sold to a government subsidiary for approximately USD395 million.

» Nansha Shipping Fund purchased two en-bloc offices in Guangzhou's Nansha Waterfront Square for approximately USD28.62 million

The Guangdong government continues to restrict fresh supply of buildable land throughout the province, so we expect investors and developers to focus on city renewal and value-add projects. In addition, the government's heavy investment in talent attraction in the PRD region and its support for the long-term rental apartment market will boost the market's development. As a result, we can expect more investment opportunities to be available in this sector.

EN-BLOC TRANSACTIONS
4 transactions
| USD675.1m

BIGGEST DEAL
USD395m
RM6979
| Office

MAJOR MOVER Q1 2018
Office

SECTORS TO WATCH Q2 2018
» Office
» Apartment
» Retail

PHILIPPINES

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The impact of the strengthening relationship between the Philippines and China, which uplifted all sectors of the former's property market in 2017, appears to be extending through to 2018. Interest from China continues to be high while the Philippines' economic fundamentals remain in place after ending 2017 with a 6.7% growth in GDP.

Growth in the office sector was driven by strong demand from the KPO and offshore gaming industries. Residential condominium sales take-up is also encouraging, with major developers acknowledging growing interest from the Chinese. Industrial developments north of Metro Manila are upcoming as manufacturing firms look to expand while the execution of planned infrastructure developments, aimed at decongesting the country's capital, remains the primary driver of continuous growth.

Office leasing is on track to reach new highs as volumes for Q1 2018 were at least 250,000 sq m. In the residential sector, the offshore gambling demand in office has translated to condominium sales. Investors continue to find residential options attractive with rental yields averaging 5.3% and the annual capital appreciation of notable projects also at high double-digit levels (15% to 40%).

Industrial requirements are growing too as areas to the north of Metro Manila are increasingly in demand, and developers have acquired huge plots to build new industrial hubs in Tarlac, Pampanga and Pangasinan. Manufacturing firms in the electronics, food and beverage, and chemical products industries are key growth drivers.

Major Deal to Highlight

» Clark Global City Corp., an affiliate of holding firm Udenna Corp., acquired the entire capital stock of GGDC Holdings, the majority shareholder of Cayman Islands-based Global Gateway Development Corp., which owns the leasehold rights to the land and development of 177 hectares of Global Gateway Logistics City located in Clark Pampanga. The transaction value is reported to be USD1 billion.

Residential condominium supply in Metro Manila is expected to reach 27,000 units in 2018 alone, a new historical high. While sales take-up has been strong, this will mean increased competition in the market. Furthermore, the already challenging rental market, sustained by demand from expats and the growing Chinese community, will also feel added pressure.

Meanwhile, growth in the industrial sector hinges on the progress of the government's infrastructure plans — such as the Skyway Stage 3 connecting the north and south , and the Container Rail Line connecting Manila, Clark and Subic — because connectivity across cities and ports are of primary importance, and will help the viability of new industrial hubs.

BIGGEST DEAL

USD1b

Global Gateway Logistics City
| Mix Use Development Site

MAJOR MOVER Q1 2018

Office

SECTORS TO WATCH Q2 2018

» Residential

» Industrial

SHANGHAI

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As the financial centre of China, Shanghai has strengthened control over the financial sector following the National People's Congress and the People's Political Consultative Conference in Q1. The Shanghai government issued a "Notice on the Standardization of the Business of M&A Loans", which requires strict control of M&A loans to the real estate industry. As liquidity is further reduced, projects with stable income have become more attractive to investors.

Meanwhile, the upgrading of Shanghai's industrial profile continues to be a major focus of the Shanghai government in 2018. Therefore, the office sector (including business parks), which generates predictable income, has standard asset management requirements, and is a major driver of industrial development, continues to be the most active sector in the Shanghai market.

In the first quarter, the investment market in Shanghai remained the most active in China. We have tracked 15 deals across sectors, totalling USD2.4 billion, over this period. Office, business park and mixed-use projects with large office components are still the most attractive opportunities to investors, and accounted for 12 transactions worth a total of USD2 billion. Though we have seen foreign investors become more active in the market during Q1, domestic investors continue to dominate the Shanghai market with 12 out of 15 transactions.

Major Deals to Highlight

» Shanghai International Plaza was acquired by LaSalle Investment Management at USD359 million from Alpha. The project is an office project with a GFA of 54,037 sq m in Hongkou District.

» Hony acquired KIC, a business park project, from Real Power. The project's total GFA is 28,000 sq m and is located in Wujiaochang.

» ZRiver Capital's ZRT Tower was sold to Five Bulls for USD225 million. The office project has a GFA of 40,736 sq m and is located in a DBD of Shanghai's New Jingan (Zhabei) District.

Following the National People's Congress and the People's Political Consultative Conference, urban planning and development is one of the most important priorities for the Shanghai government. The control of new buildable land supply and upgrading the value of existing land have been the main themes of the development plan. Due to limited new supply, however, the government is mainly focusing on the redevelopment of existing stock. We expect investors to continue focusing on value-add projects, especially opportunities with a large rental reversion upside.

EN-BLOC TRANSACTIONS
15 transactions
| USD2.4b

BIGGEST DEAL
USD359m
Shanghai International Plaza
| Office

MAJOR MOVER Q1 2018
Office

SECTORS TO WATCH Q2 2018
» Office
» Business Parks
» Serviced Apartments

SINGAPORE

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Singapore's investment market, led strongly by the residential sector, continued its positive momentum in the first quarter of 2018. Developers' appetite for sites remained high, demonstrated by keen participation in both the collective sales market and state land tenders.

A total of 17 residential collective sale sites with a combined value of SGD5.83 billion (USD4.45 billion) were transacted in Q1. The value of these deals accounted for 71.7% of the SGD8.13 billion (USD6.08 billion) generated from the 27 residential collective sale transactions during 2017.

Developers' interest in collective sale sites has shifted from suburban to prime locations. In Q1 2018 alone, eight sites worth SGD2.32 billion (USD1.77 billion) were sold in the prime Core Central Region, compared with eight sites worth SGD1.05 billion (USD0.79 billion) transacted in all of 2017.

Major Deals to Highlight

» Hong Leong Group, GuocoLand Limited and Hong Realty jointly acquired a prime freehold collective sale site at Pacific Mansion for SGD980 million (USD744 million), reflecting SGD1,987 per sq ft per plot ratio (psf ppr). This is the largest collective sale transaction since the Farrer Court deal in 2007.

» CapitaLand Limited secured a leasehold collective sale site of Pearl Bank Apartments, near Outram MRT Station, for SGD728 million (USD549 million) through a private treaty deal, reflecting SGD1,515 psf ppr.

» A hotly contested executive condominium (EC) land parcel in Sumang Walk was awarded successfully to CDL Constellation Pte. Ltd. and TID Residential Pte. Ltd., through a government land sales tender at SGD509.37 million (USD387 million). This reflects a record EC unit land price of SGD583 psf ppr.

Residential and commercial sectors will remain active in the second quarter. On the back of strong enquiries from investors for commercial assets, we anticipate some transactions to take place in the forthcoming quarters.

More developers are likely to acquire residential land, especially in well sought-after and prime locations, amid healthy home sales and growing confidence in the residential market. We anticipate that the residential collective sale market in Singapore will stay active at least for the remainder of the year, paving the way for total transaction value to surpass that of 2017.

Note: USD conversion is based on the date of transaction or date of award.

BIGGEST DEAL
USD744m
Collective sale of Pacific Mansion | Residential

MAJOR MOVERS Q1 2018
Residential

SECTORS TO WATCH Q2 2018
» Residential
» Commercial

TAIPEI

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The Taipei market remained stagnant, weighed down by poor investor sentiment in Q1. Total commercial property transaction volume hit a record low of TWD2.6 billion (USD87 million). Land transactions, on the other hand, were active due to increasing demand from developers, occupational buyers and investors. Total land transaction volume hit TWD39.8 billion (USD135 million), the second highest on record.

Although there were only few strata-titled transactions in Q1, the office sector remained the key market driver in Taipei as evidenced by the swift take-up and growth in pre-leasing activity. The total net take-up in 2017 hit a 10-year high of 41,464 ping (136,831 sq m). Anticipated completions for 2018, including Nanshan Plaza, United Daily News Building and Cathay Minsheng Jiankuo Building, show that more than 50% of projects have already been pre-leased. In addition, there is growing concern about potential supply shortages in 2018 and 2019, and we expect the vacancy rate to drop below 5% in 2019.

Major Deals to Highlight

- Fubon Life Insurance acquired a 70-year leasehold of a commercial plot in Kaohsiung City for TWD7.81 billion (USD260 million).
- Pegatron Corporation purchased an industrial plot in Xindian District, New Taipei City, for TWD2.23 billion (USD75 million).
- Royal Sunway Co., Ltd., a subsidiary of listed marine group First Steamship Co., Ltd., purchased the Capital Hotel Arena Branch for TWD670 million (USD22 million).

Since the market dropped in 2014, institutional investors have been conservative. However, the softened price presents opportunities for investors in prime or strategic locations. On the back of vibrant leasing activity and potential supply shortages, we expect office properties will continue to attract investors' attention in the next quarter.

EN-BLOC TRANSACTION
1 transaction
| USD22m

BIGGEST DEAL
USD260m
70-year leasehold of a commercial plot in Kaohsiung City
| Development Site

MAJOR MOVER Q1 2018
Office

SECTOR TO WATCH Q2 2018
Office

THAILAND

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The year has begun with a positive flurry of activity. The major transactions have centred primarily around the central business district of Bangkok, demonstrating that business activity is robust and land values are rising, along with developers' confidence and outlook.

We expect this trend to continue through the year, partly as a reaction to a relatively subdued 2017, and partly because of Bangkok's and Thailand's improving business environment, which is attracting interest from around the region.

Despite a somewhat turbulent previous year, Thailand has shown relative stability, with infrastructure projects making good progress, increasing tourist numbers, rising office tenant demand, and new international and local JV partnerships being formed.

Market sentiment has been positive. The office sector continues to see rental increases, not only across the CBD but also in more peripheral locations. A response to this continued growth is now increasingly evident amongst developers, with a variety of office-led projects being planned or under construction, including the Super Tower, One Bangkok and 548 Ploenchit.

The industrial sector is stable and most of the interest is still focused on the proposed Thailand 4.0 initiatives and the anticipated legislation surrounding them.

The stand out sector of Q1, however, has been the land plots within the CBD, with several transactions taking place and land values showing significant growth. .

Major Deals to Highlight

» This quarter saw the largest land deal in Thai history. The British embassy site, a 12,156 sq m plot of land in the commercial heart of Bangkok along Sukhumvit Road, was sold for USD591 million to a consortium comprising of Central Group and Hongkong Land. Development plans are expected to include offices, leisure space and a hotel.

» Another record was broken this quarter. SC Asset paid a record USD248 psm for a 352,000 sq m site on which it plans to develop an ultra-luxury residential project. The site is situated on Soi Lang Suan, a highly sought after high-end residential district in the centre of Bangkok.

We forecast the robust start to 2018 will continue throughout the year, which is expected to be evident in land values and planned developments. We also expect the office sector, both occupational and investment, to continue to show growth, and major developments across the CBD to achieve significant construction progress.

Year-on-year tourist numbers to Thailand have shownt steady growth, and we anticipate this trend to persist for the rest of the year, with Chinese visitor numbers expected to increase the most.

EN-BLOC TRANSACTIONS
5 transactions
| USD7m

BIGGEST DEAL
USD2.15m
Industrial Investment Sale

MAJOR MOVER Q1 2018
Office

SECTORS TO WATCH Q2 2018
» Office
» Hospitality

VIETNAM

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Vietnam's economic growth story continued to impress in Q1 2018 with GDP growth estimated to hit 7.38% – the highest level in a decade. The industrial and construction sector and services reached the highest growth rates of 9.7% and 6.7% YOY respectively. FDI continues to pour in from surrounding Asian countries with Japan, Korea, Singapore and China among the main investors contributing to a capital inflow of more than USD5.8 billion. The HCMC government has pledged to invest USD1.3 billion in public investment projects in the first half of 2018 to further boost the development of the Vietnam real estate market.

Residential and industrial land within an hour of HCMC continue to be the most desirable assets, attracting strong interest from Chinese developers as a result of the One Belt One Road initiative.

Investors continue to seek quality income-generating commercial assets with capital gains potential in the CBDs of Hanoi and HCMC. Land prices in these areas remain exceptionally high on the back of robust economic growth and local land owner price expectations.

In the industrial sector, investors are actively searching for warehouse and logistics opportunities as well as well-located development land.

Major Deals to Highlight

» Koramco, on behalf of Hanwha Life Insurance, purchased TNR Tower (aka Maritime Bank Tower) Nguyen Cong Tru, District 1, Ho Chi Minh City (20,000 sq m GFA) for an estimated USD62 million from Maritime Bank.

» CapitaLand purchased a residential development site of 9,000 sq m in Hanoi's Tay Ho District for USD30 million from Hien Duc Tay Ho JSC.

As Vietnam's infrastructure improves at a rapid pace and economic growth continues to reach record levels, investors and developers alike are recognising the country as a top investment destination. Prime office buildings are seeing demand from investors seeking rental upside and capital growth. The industrial sector is the one to watch with platforms such as the Warburg Pincus and Becamex (BWID) fund on the lookout for industrial development and warehousing projects.

EN-BLOC TRANSACTIONS

3 transactions
| USD120m

BIGGEST DEAL

USD62m

TNR Tower (Maritime Bank Tower)
| Commercial Office Building

MAJOR MOVERS Q1 2018

Commercial Assets

SECTORS TO WATCH Q2 2018

» Grade A Commercial
» Industrial
» Development Land

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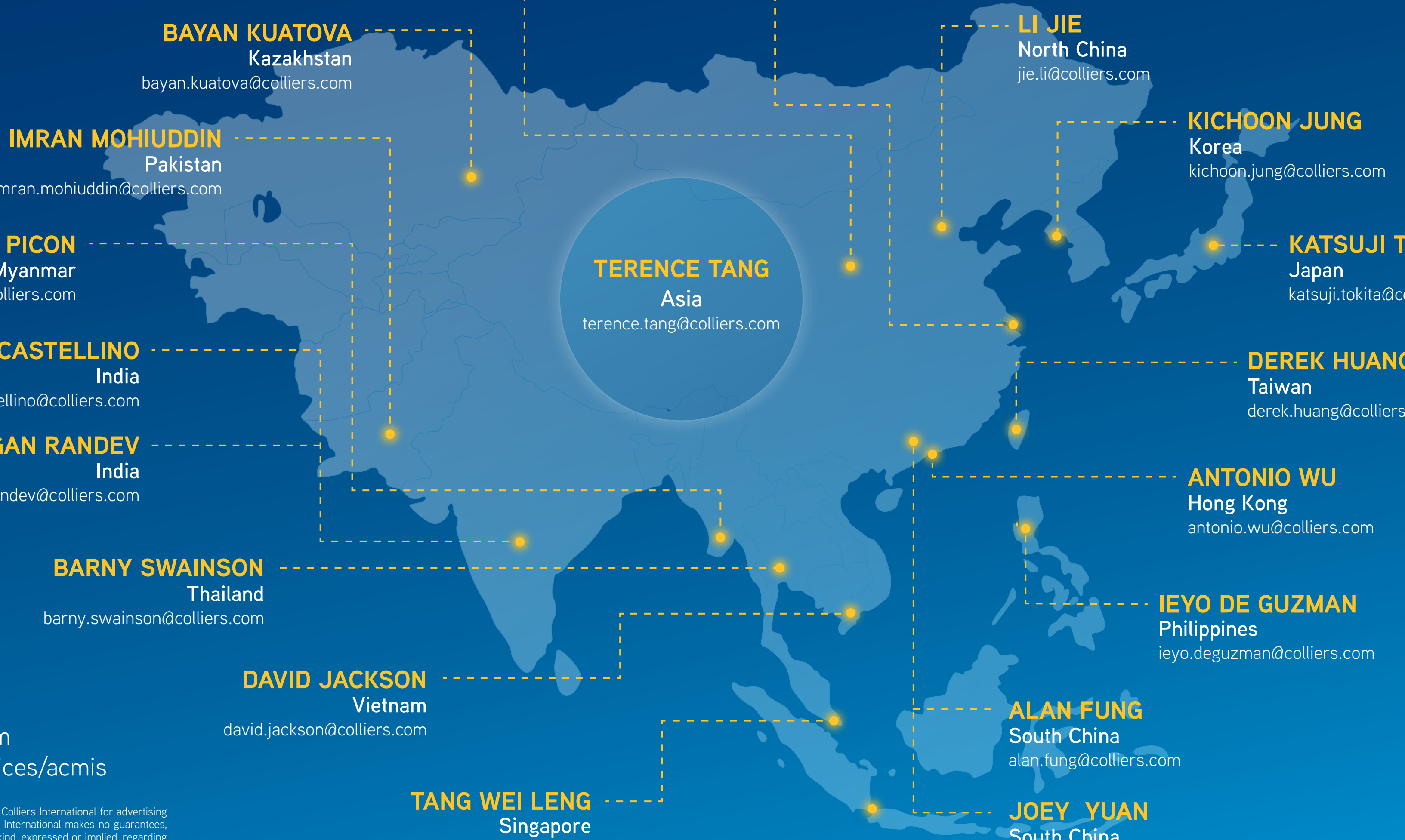

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