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ASIA MARKET SNAPSHOT

CAPITAL MARKETS & INVESTMENT SERVICES

Q4 17

CLOSING THE YEAR ON A HIGH NOTE

In yet another display of Asia's dynamism, 2017 ended with a flurry of activity across the region that showed few signs of abating as we entered the new year. While strength is broad-based across markets and sectors, the office segment in the key markets of Hong Kong, Shanghai and Singapore has been a particular focus for investors, reflecting an improving business outlook on the back of a rebound in investment, trade and manufacturing.

Policy drives promise in China, hope and caution in emerging markets

Sentiment in some emerging markets, including Indonesia and India, remains more cautious as investors gauge recent or expected policy changes. However, these changes and the ambitious development plans taking shape around the region will be a key engine of opportunity in 2018 and beyond. In China, the Greater Bay Area initiative is creating new ways to participate in the integration of the Pearl River Delta, which saw two urban redevelopment site transactions in Q4 totaled USD1.1 billion; and plans to transform Chengdu into an international gateway to the country's west will pave the way for promising residential and commercial developments.

Hong Kong sets new records

Investment activity in Hong Kong gained further momentum in Q4, with new records set across the office (a Chinese-led consortium's USD5.15 billion deal for The Centre office tower), retail (the USD2.95 billion sale of Link's retail portfolio) and residential (an all-time Asia high of USD16,700 per sq ft for a luxury flat in the Mount Nicholson development) sectors. Given the healthy pool of cash-rich buyers and funds, and aggressive local and mainland Chinese developers, sentiment should remain robust in Q1 2018, particularly in the office and residential sectors.

Commercial land in demand in Singapore

Singapore also posted a buoyant finish to the year, with developers and investors aggressively pursuing deals across the residential and commercial sectors, including a commercial land parcel on Beach Road snapped up for USD1.2 billion by a consortium of GuocoLand and parent Guoco Group. The broadly positive economic outlook should continue to drive demand in the residential and commercial sectors in 2018.

Shanghai benefits from hub plans

In Shanghai, office, business park and mixed-use assets continued to attract the most investor interest, accounting for 15 of the total 17 transactions with a combined value of USD4.2 billion. Plans to develop the city into a national and global hub of finance and innovation will help ensure it remains China's most active en-bloc investment destination this year.

Look to logistics, hospitality

Further opportunities are also seen in the **industrial and logistics sector** in markets such as the Philippines, where an influx of manufacturing investments and the rise of e-commerce are fueling demand, and in Myanmar, where infrastructure remains limited but the success of existing special economic zones is encouraging local and foreign investment.

Continued growth is also witnessed in the **hospitality sector** in Vietnam, where tourist interest is rising and a successful year as APEC host has raised the country's profile, and Thailand, where visitor numbers are still climbing and contributing to interest in city-centre hospitality investments. Specifically, international joint ventures are one factor to watch in this space; last quarter Thai property developer Sansiri announced a USD58 million investment in US-based hotel chain Standard International.

Please feel free to contact Colliers' capital markets and investment services experts for further insights and discussions on key trends and opportunities across this fast-changing region.

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BEIJING

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The Beijing master development plan (2016–2035) was officially released end of September and focuses on developing Beijing as the national political centre, cultural centre, innovation centre and international communication centre of China. This master plan acts as a catalyst for the Beijing investment market, where 5 major transactions closed in Q4 2017, totalling approximately USD765.1 million.

The transacted projects were spread across three different sectors – office, retail and hotel. One trend to note in Q4 2017, and was strongly encouraged by government policy, was that investors are actively seeking properties with potential to be converted into rental apartments.

We believe investors will continue to seek opportunities and show strong interest in acquiring assets in China's capital city.

There was a marked increase in Beijing's commercial property investment market in Q4 with 5 deals recorded. COFCO W Hotel was sold for RMB1.36 billion; an R&D office building in Beijing BEZ IT Park was sold for RMB380 million; Hualian Shopping Mall was sold for RMB533 million; Tahoe Chang'an Center was sold for RMB1.80 billion; and Nova purchased 3 projects to convert into rental apartments for a total of RMB900 million. Both local and foreign investors had been very active in Q4 and were able to close these deals in a market known for its limited supply.

Major Deals to Highlight

» COFCO W Hotel was sold to Tianfu Investment by Joy City Property Limited for RMB1.36 billion (USD209.2 million). The property has a GFA of 35,890 sq m and is located at the intersection of East 2nd Ring Road and Chang'an Avenue, Chaoyang District

» Tahoe sold its CAC Chang'an Center Building B F3–F21 to Beijing Liangdou Technology for RMB1.80 billion (USD276.9 million). The property has a GFA of 34,993.54 sq m and is located on Lugu Road, Shijingshan District

» Shanghai Jinhe Investment acquired the 17,457 sq m Hualian Shopping Mall for RMB533 million (USD82 million). The property is located at Guang'an Men, Xicheng District

Moving forward, the Beijing market outlook in 2018 remains optimistic in light of robust demand for commercial properties. Investors continue to look for projects with value-add potential, including projects which are suitable for rental apartments and co-working space or projects that could be converted into rental apartments. We believe the office, serviced apartment, and retail sectors will continue to be the focus sectors for Q1 2018 for both local and foreign investors.

EN-BLOC TRANSACTIONS

5 transactions
| USD765.1m

BIGGEST DEAL

USD276.9m

Chang'an Center Building B F3–F21
| Office

MAJOR MOVER Q4 2017

Office

SECTORS TO WATCH Q1 2018

» Office
» Serviced Apartments
» Retail

CHENGDU

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In November 2017, the Chengdu Government released Chengdu's "Urban Master Plan 2016–2030" with the intention of making Chengdu a national central city and international gateway city by 2035. The rapid development of Chengdu, particularly in terms of the city's infrastructure, has already attracted the attention of many investors, making it a central investment focus in West China.

Moving forward, we believe investors will continue to search for opportunities in development sites, office and logistics sectors.

Development sites with residential components were the most desirable assets for developers. There has been at least one transaction in this sector each quarter since Q4 2016.

For the office sector, investors continued to seek high quality assets with rental reversion or capital gains potential. Investors also showed a strong interest in projects located in prime and mature areas including the CBD and Financial City. One deal was transacted in this quarter.

In the industrial sector, investors actively searched for logistics opportunities, including both land and completed products.

Major Deal to Highlight

» Fusin Group acquired a development site project, Zhonghua Qingcheng in Dujiangyan, from Wuhai Property. The project has a buildable GFA of 303,660 sq m and was transacted for RMB720 million (USD109 million)

As Chengdu's city infrastructure continues to develop at a rapid pace, both investors and developers will continue to consider Chengdu as one of their top cities to target for investment. While development projects with residential components will be the most attractive investment opportunities for developers in 2018, investors will continue to seek prime office buildings with either rental upside or capital gains potential as well as logistics projects, including both land and income-producing facilities.

EN-BLOC TRANSACTIONS

2 transactions

BIGGEST DEAL

USD109m

Zhonghua Qingcheng
| Development Site

MAJOR MOVER Q4 2017

Development Site

SECTORS TO WATCH Q1 2018

» Development Site

» Office

» Logistics

HONG KONG

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In Q4 of 2017, the investment market continued its active momentum from Q3, especially after the 19th Party Congress where a few notable transactions, including The Centre, the Link portfolio and 18 King Wah Road, were concluded.

The overall sentiment remains positive, investment activities in both retail and industrial sectors have increased. The luxury high-end residential sector has achieved record prices while office remains the most active sector of all.

The office sector remains the most active sectors in Q4 both in en-bloc and strata-titled markets. World-wide House has seen transactions in the range of USD4,230 per sq ft and there is still a strong demand from investors for office investment opportunities.

In residential, Mount Nicholson continues to drive the luxury high-end market and has achieved an Asian record of over USD16,700 per sq ft on a saleable area basis.

The Link portfolio was successfully sold to a consortium led by Gaw Capital for USD2.95 billion and became the largest retail portfolio ever sold in Hong Kong. Zing! in Causeway Bay was transacted again and was sold to a private investor in the region of USD243 million. These transactions show that investor confidence in the retail sector has returned.

Major Deals to Highlight

» Sale of 48 floors of the Centre, 99 Queens Road Central, by Cheung Kong Holdings to a consortium led by a Chinese SOE. (USD5.154 billion)

» Sale of 17 retail malls by Link REIT to Gaw Capital, Goldman Sachs and Great Wall Asset Management (USD2.949 billion)

» Sale of an office development at 18 King Wah Road, North Point, from Henderson Land to a consortium between China Tai Ping and ZK Capital (USD1.275 billion)

Investment sentiment remains strong in Q1 2018, there are still plenty of cash rich buyers and most institutional funds are geared up with new funding. There are also many aggressive developers both from the mainland and from Hong Kong. The most active sectors are still office, industrial and residential.

EN-BLOC TRANSACTIONS

71 transactions
| USD14.7b

BIGGEST DEAL

USD5.154b

48 Floors of the Centre,
99 Queen's Road Central
| Office

MAJOR MOVER Q4 2017

Luxury Residential

SECTORS TO WATCH Q1 2018

» Site and Landed Opportunities

» En-Bloc Office Development

» En-Bloc Industrial

INDIA

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In line with Q3 2017, the last quarter of the year witnessed all stakeholders trying to align their activities with the new market structure resulting from the implementation of Real Estate Regulatory Act (RERA), Goods and Services Tax and Demonetisation.

Business activity remained concentrated towards specific segments as a majority of developers, financial institutions as well as investors continued to adopt a wait and see approach before ramping up investment expansion plans.

However, a sense of cautious optimism continues to underline the current turbulence in the market, largely driven by the new regulatory structure which is expected to drive investor and end user confidence by accentuating factors such as accountability and transparency.

With new supply likely to be restricted in 2018, the rise in housing demand and sales would lead to a reduction in unsold stock. The sector is likely to see a major consolidation as many developers are expected to sell their assets to complete ongoing projects and cut debt.

Demand for pre-leased office space continued to drive investment activity bolstered by record leasing activity in the country.

Residential space also gained traction, especially across the affordable housing space, driven by government's push to promote the category to achieve its 'Housing for 2022' mission. Further, last mile funding for near completion projects continues to be the flavour of the market as developers look to ensure timely project deliveries to avoid penalties.

Investment flow in the organised retail sector remained slow, while warehousing sector continued to draw interest from investors.

MAJOR MOVER Q4 2017
Commercial

SECTOR TO WATCH Q1 2018
Warehousing

Major Deals to Highlight

» Housing Development Finance Corporation has formed a joint investment platform with Abu Dhabi Investment Authority to invest more than USD500 million in affordable and mid-income housing

» A joint venture between Mumbai developer K Raheja Corp and Singapore sovereign wealth fund GIC Pte Ltd has bought a land parcel from Siemens Ltd for USD93 million

With the economy currently adjusting to substantial regulatory restructuring over the last eighteen months, the market is expected to reflect fair industry indicators.

However, the market is expected to witness an uptick in the long run which in turn is envisaged to drive fund flow. We expect the residential sector to make a comeback as retail investors look to re-enter the market, while pre-leased investment grade office and retail space will continue to dominate investments.

We also expect platform level transactions to re-emerge as international developers and funds are increasingly looking to collaborate with reputable domestic names with development expertise and delivery track record.

Lastly, strong interest is also expected in alternative segments such as warehousing and hospitality.

INDONESIA

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While GDP growth hovered above 5% in 2017, the current economic environment is stable but cautiously optimistic. The next presidential election will be held in 2019 and the campaigning process will be well underway in 2018. Even though the incumbent president, Joko Widodo, is a strong favourite, the recent negative campaign for Governor in Jakarta has people worried about the possibility of a negative campaign.

In October 2017, Anies Baswedan was inaugurated as the new Governor of the province of Jakarta after defeating former Governor Basuki Tjahaja Purnama. The highly politicized election and associated religious tensions have created more questions than answers around the historical thorny issues of religion and race. Until we get more concrete direction from the new government, the business community in Jakarta awaits in hopes of seeing positive initiatives for infrastructure, public transportation, housing and property development.

A new foreign investment was completed in a new Joint Venture between a consortium by Mitsubishi Corporation and other Japanese investors – including the investment arm of the Japanese Ministry of Land & Infrastructure, and private real estate companies Hanshin Electric Railway Corporation, Nishi-Nippon Railway Corporation and Keikyu Corporation, and Sinar Mas Land, the property holding arm of diversified conglomerate Sinar Mas Group. The USD260 million investment comprises a premium mixed-use development on 19 hectares of land with over 1,000 units of housing and shops.

On a positive note, the interest level and flow of foreign investment into the property sector remains strong. While project sales have slowed over the last two years in strata office and strata apartments (low, middle and high), foreign developers and investors continue to believe in the medium-term strength of the Indonesian property market, growth of the middle class and stable government. However, despite the resilience of foreign investors, there has been some evidence of greater caution towards new and larger investment commitments.

BIGGEST DEAL

USD260m

JV between Mitsubishi Corp & other Japanese investors
| Premium Mixed-use development

MAJOR MOVER Q4 2017

» Strata Office

» Strata Apartments

MYANMAR

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Despite the political challenges in the country and slow progress of economic reform, the investment climate is resiliently upbeat. Manufacturing FDI in Myanmar is set to hit record highs for fiscal 17/18, translating into demand for factories and logistics facilities as well as renewed interest in industrial estate development, especially following the success of the first phases of Thilawa SEZ, a Japanese-local Joint Venture. The new Kajima mixed-use project in Yangon further reinforces the overall narrative of increasing long-term Japanese investment in Myanmar. Some local investors are also increasing their participation in international grade real estate projects.

The condominium sector remained in the doldrums due to lack of demand for higher end developments. However, a new condominium law allowing foreign ownership for the first time may lead to renewed interest in this sector. The increasing number of upper-scale hotels in Yangon will remain a challenge and has dampened enthusiasm for investors.

On the other hand, the retail market remained strong due to robust consumer demand, while further increase in take-up is expected for the office market. Serviced apartments is also an attractive segment due to limited options for expats for quality residences. Lastly, the industrial sector is the most vibrant and, as industrial development underpins economic growth, this will support demand for other sectors too in the long run.

Major Deal to Highlight

» The Kajima mixed-use project will construct a 21-storey office building, a 20-storey hotel, and a 27-storey hotel and commercial facilities on ministry-owned land. Floor space will total 170,000 sq m

The industrial sector is expected to continue to grow as manufacturers and logistics companies remain bullish on Myanmar despite many uncertainties and limited infrastructure. The geographic location of the country, demographics and natural resources mean that Myanmar will continue to have significant investment potential. Investors are also still considering mixed-use developments due to traffic congestion, while the serviced apartments and retail sectors are also promising in Yangon city.

EN-BLOC TRANSACTIONS

1 transaction
| USD398m

BIGGEST DEAL

USD398m

Kajima, Garden for the People
| Mixed use

SECTOR TO WATCH Q1 2018

» Industrial

PEARL RIVER DELTA

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The establishment of Guangdong-Hong Kong-Macao Greater Bay Area (GBA) continues to boost overall development of the Pearl River Delta (PRD). Collaboration, basic infrastructure and urban renewal have been the region's hot topics, which have also attracted the attention of many investors.

The PRD investment market became very active in Q4 2017 with eight transactions spread across various sectors, including development sites, office, retail and apartment, totalling approximately USD2.7 billion.

As the development of the GBA region becomes more mature, investors will show more interest in the PRD investment market in 2018.

The GBA development plan as well as PRD's rapidly developing infrastructure have been drawing attention to urban redevelopment opportunities. There were two urban redevelopment sites transacted in Q4 totalling USD1.1 billion.

For the office sector, due to the large amount of new supply forecast to enter the market over the next two years, developers began to shift their divestment strategies to en-bloc sales which have increased the number of investment opportunities. Four deals were closed in Guangzhou's office sector totalling approximately USD542 million.

Investors also showed interest in the retail and apartment sectors, such that two apartment projects in Shenzhen and one retail project in Guangzhou were transacted in Q4.

Major Deals to Highlight

- » Logan Estate acquired a 70% majority share of the Konka Headquarter development site for urban redevelopment purposes in Nanshan from Shenzhen Kang Qiao Jiacheng Investment Co. Ltd., for a total of RMB6.98 billion (USD1.06 billion)
- » CapitaLand and CRCT acquired Rock Square, Haizhu District, Guangzhou, from PGIM Real Estate for a total of RMB 3.36 billion (USD511.41 million)

As urban renewal and infrastructure continue to help grow the PRD region, together with the government's encouragement toward unified ownership of property and land, more opportunities will become available to attract both developers and investors to the market. Due to the development in the PRD, redevelopment sites will continue to be the top priority for both developers and investors in 2018. Shenzhen's office and apartment sectors, as well as Guangzhou's apartment and retail sectors, are also expected to remain active moving forward.

EN-BLOC TRANSACTIONS

8 transactions
| USD2.7b

BIGGEST DEAL

USD1.06b

Konka headquarter
| Development Site

MAJOR MOVER Q4 2017

Development Site

SECTORS TO WATCH Q1 2018

- » Redevelopment Site
- » Office
- » Serviced Apartments

PHILIPPINES

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The Philippines' GDP grew by 6.9% in Q4 2017, surpassing market expectations. Major banks and economic institutions, such as World Bank, Asian Development and Oxford Economics, are projecting between 6.6% to 6.9% full-year growth. Moving forward, much of the growth will hinge on the government's plan to ramp up on infrastructure spending.

The property sector ended the year on a positive note, hurdling various issues across sectors. The office sector remains upbeat as PEZA proclamations spiked in the last quarter of the year after noticeable delays experienced since the start of 2017. Residential oversupply concerns are allayed by the encouraging sales take-up levels for the second consecutive year. Industrial parks are also expanding North of Luzon with developers exploring opportunities outside the city as manufacturing, logistics and warehousing requirements from locators increase.

Transaction volume in the office sector remains robust with total 2017 transactions breaching the 800,000 sq m mark, despite concerns over slowing BPO demand. Overall gross demand is at least 5% higher than last year, on the back of a diversified tenancy mix BPOs, offshore gaming and non-BPOs alike. Consolidations and expansions from existing traditional companies have been a major story throughout 2017.

The take-up of vertical residential units have reached at least 45,000 in 2017, higher than the previous year's 42,000 units. Interestingly, it was a strong year for condominium developments despite persistent concerns about oversupply in Metro Manila. This complements the planned horizontal developments by notable local developers that partnered with foreign firms.

Apart from the influx of manufacturing investments, warehousing and logistics requirements of locators are also driving industrial demand. The complementary nature of e-commerce to retail establishments is helping most warehouses in the Metro Manila reach almost full occupancy. Meanwhile, quite a few major developers have already disclosed planned industrial developments in areas outside the Metro such as Tarlac, Pampanga and Pangasinan.

Major Deal to Highlight

» Clark Global City Corp., an affiliate of Udenna Corp., acquired the entire capital stock of Global Gateway Development Corp. based in Cayman Islands which owns the leasehold rights to the land of Global Gateway Logistics City in Clark City, Pampanga.

Albeit an expected gradual increase in vacancy due to sizable upcoming supply, the office sector will likely sustain its strong performance especially with the increase in the number of PEZA-proclaimed buildings. Furthermore, the requirements from traditional and offshore gaming companies should ensure favourable demand at least until early 2018.

Despite continued rising vacancy across submarkets in the vertical residential market, sales take-up has remained strong in Metro Manila. Take-up in 2017 was at least 7% higher compared to 2016. Launches, on the other hand, have been on the decline. And with prices continually increasing and supply reaching historical highs, it will be interesting to see how developers will differentiate their projects in a highly competitive market.

EN-BLOC TRANSACTIONS
1 transaction
| USD1b

BIGGEST DEAL
USD1b
Global Gateway Logistics City in Clark City
| Logistics hub and mixed-use development

MAJOR MOVER Q4 2017
Office

SECTORS TO WATCH Q1 2018
» Office
» Residential

SHANGHAI

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In Q4 2017, Shanghai remained the most attractive en-bloc investment market in China with 17 transactions totalling USD4.2 billion.

Being the most attractive investment market in China, Shanghai's master plan 2017–2035 shows that it is branding itself as the national centre of economics, finance, trade, shipping and technological innovation, and is well on its way to becoming a global city. Shanghai will continue to improve its infrastructure, as well as re-develop under-utilised urban areas. The government also intends to strengthen collaboration with other Chinese cities and cities around the world. Moving forward, we believe Shanghai will remain the most active en-bloc investment market in China in 2018.

Office, business park, and mixed-use assets with large office components continue to be the major focus for investors, accounting for 15 of the 17 total transactions in Q4. Nine office buildings were transacted in mature DBDs, including Yangpu, Minhang and Hongqiao; 3 business park assets were transacted in Pudong and Zhabei; and 2 mixed-use assets with sizable office components were closed in Hunagpu and Hongkou.

Investments remained the key driver behind acquisitions, accounting for 13 of the total 17 transactions and totalling USD4 billion – approximately 93% of the total transaction volume for this quarter.

Major Deals to Highlight

» Eco City, a mixed-use project located on West Nanjing Road was sold to a foreign investor for approximately RMB6.2 billion (USD942 million)

» KEB East Tower, a business park located in Pudong Jinqiao Area was sold to BOCGI for approximately RMB659 million (USD100 million)

» Cross Tower, an office project located in Huangpu district was sold to World Union Investment for approximately RMB2.7 billion (USD405 million)

The outlook for the Shanghai investment market remains optimistic for Q1 2018 as several deals are in final stages of negotiations and are expected to close in early 2018. The office sector, along with mixed-use projects with large office components and business parks, will continue to be the focus for investors. Additionally, the government's regulations and plans have put the rental apartment market under the spotlight, and the current positive outlook will continue to draw attention to this sector in 2018.

EN-BLOC TRANSACTIONS

17 transactions
| USD4.2b

BIGGEST DEAL

USD942m

Eco City
| Mixed-use

MAJOR MOVER Q4 2017

Office

SECTORS TO WATCH Q1 2018

» Office

» Business Parks

» Serviced Apartments

SINGAPORE

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Buoyant acquisition activities continued for both residential and commercial sectors in Q4. Backed by better than expected economic conditions, developers and investors remain strongly confident about the Singapore property market, demonstrated through their active bidding participation in collective sales and government land tenders as well as acquisitions of prime commercial assets.

Major Deals to Highlight

- A commercial site at Beach Road was awarded to the top bidder in October – a 70:30 tie-up between GuocoLand and its parent Guoco Group for SGD1.62 billion (USD1.2 billion)
- Frasers Centrepoint Limited (FCL) outbid nine other bidders for a residential development site at Jiak Kim Street in December 2017. The keenly contested site was offered for sale through the Government Land Sale (GLS) programme. The successful bid price was SGD955.4 million (USD714.6 million), or SGD1,733 per sq ft per plot ratio (USD1,296 psf ppr)
- Chinese developer, Kingsford Development bought a leasehold residential collective sale site at Normanton Park for SGD830.1 million (USD620.9 million), reflecting a land price of SGD969 psf ppr (USD725 psf ppr)
- Chevron House, a prime commercial building in Raffles Place, was successfully acquired by Oxley Holdings, a local listed property group, for SGD660 million (USD494 million) or SGD2,526 per sq ft on net lettable area. This marks Oxley's first acquisition of a prime commercial building in the Raffles Place locality

The optimistic economic outlook and cyclical upturn of the underlying markets should continue to drive investment demand for the residential and commercial sectors in Singapore. We also expect developers to continue replenishing their landbanks via collective sales and state land sales.

Note: USD conversion is based on 31 December 2017. USD1:SGD1.336

BIGGEST DEAL

USD1.213b

Land parcel at Beach Road | Commercial

MAJOR MOVERS Q4 2017

- Residential
- Commercial

SECTORS TO WATCH Q1 2018

- Residential
- Commercial

TAIPEI

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Though prices have softened over the past two years, overall market sentiment remains poor as the government took no action to improve the high property taxes. Transaction volume in Q4 decreased to TWD13.2 billion (USD440 million), while the total transaction volume for 2017 was TWD53.4 billion (USD1.8 billion) – a reduction of 25% compared with 2016. This reflected the lowest level since 2008. Traditionally, local insurance companies are the most active buyers. However, there were only 4 investment deals with a total investment of TWD10.4 billion (USD 345 million) from insurance companies in 2017.

Office remains the strongest sector in Q4. The transaction amount of office and industrial office accounted for 88% of the total transaction amount in Q4. The office demand was driven by both end-users and investors. End-users and occupational buyers face less competition as investors become increasingly cautious. However, office assets in good locations remain attractive to investors as long as price and rental yield are good.

Additionally, in light of limited supply and higher prices in the CBD, buyers focused on decentralized areas with more growth potential. As a result, most of the office and industrial transactions were in Neihu Technology Park, Nangang Software Park, and industrials parks in New Taipei City.

Major Deals to Highlight

» Chunghwa Post Co., Ltd. purchased Chong Hong New Century Building in Neihu Technology Park for TWD6.42 billion (USD210 million)

» CMI Property Ltd. purchased Phoenixtec Building in Neihu Technology Park for TWD2.3 billion (USD75 million)

» ECLAT Co. Ltd. purchased a commercial plot in Xinzhuang Sub-city Centre for TWD3.3 billion (USD110 million)

In 2017, most of the transactions were for self-use while major investors observed. We expect the overall Taipei market to remain stagnant throughout 2018 or bottom out, and believe this will present opportunities for investors as prices continue to soften.

EN-BLOC TRANSACTIONS
2 transactions
| Approx. USD290m

BIGGEST DEAL
USD210m
Chong Hong New Century Building
| Office

MAJOR MOVER Q4 2017
Office

SECTOR TO WATCH Q1 2018
Office

THAILAND

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In Q4 2017, capital expenditure remained focused on the CBD of Bangkok and in areas of the city that are set to benefit from the improving transit infrastructure. Leasehold ownerships have continued to come to the fore as a viable option for developers to gain access to the prime sites and convert to REITs. Also, the King's passing has significantly affected business sentiment and activity.

The final quarter of 2017 marked the anniversary of the late King's passing with various events taking place to signify the end of the mourning period. The passing of the world's longest serving monarch has subdued capital market activity and business confidence in Bangkok, particularly among Thai based businesses. Moving forward, the expectation is that, to some extent, the country will see a positive upturn in business activity next year with confidence returning to normal levels.

Major Deals to Highlight

» Property developer Sansiri confirmed an investment of USD80 million into areas outside of its core residential development business. Investments are said to be in 6 diversified areas, including USD58 million in Standard International, a US based hotel chain

» A Thai property developer, Woraluk Property, formed a joint venture with Shinwa, an Osaka-based Japanese company. The investment vehicle called W-Shinwa – initially capitalised at USD8.5 million – plans to invest in Bangkok and the Thai real estate market

Overall, we are expecting an increase in investment activity in 2018. Foreign interest and investment are increasing, particularly from Japanese companies looking to form joint ventures with Thai partners. Tourist numbers in Thailand continue to rise fuelling interest in hospitality related investments, particularly those located centrally within the city. We also expect developers to continue to expand into the long leasehold sector, converting office or residential developments into income producing REITs upon completion.

BIGGEST DEAL

USD915,000

TMB Kluay Namthai
| Mixed Use: Office building and shop house

MAJOR MOVER Q4 2017

Office REITs

SECTORS TO WATCH Q1 2018

» International Joint Venture vehicles with Thai partner

» Hospitality

VIETNAM

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In Q4 2017, Vietnam continued to witness strong interest from local and international investors for mixed-use development land. With continued price inflation for income generating assets and development land within the city's CBD, investors have shifted their attention to satellite locations on the fringes of major cities. Sacomreal, a Vietnamese development company, purchased a 14.3 hectares mixed-use development site in District 7 of Ho Chi Minh City paying a reported USD1,260 per sq m (total USD180 million). The Asia region accounts for the majority of international interest with Chinese, Japanese and Korean investors being the most keen to enter the Vietnam market or take on additional projects.

One of the biggest market movers is the local developer VinGroup which has begun construction of their VinFast manufacturing plant in Hai Phong, Hanoi. With an initial investment of USD1.5 billion in phase 1 and a total investment of USD3.5 billion, this project bodes well for the industrial sector with a clear mandate to contract much of production, R&D and services out to other local manufacturers and partners throughout the country. This positive multiplier should encourage further investment in the automotive and other related sectors as well as associated real estate.

Major Deals to Highlight

» The Vietnamese development company Sacomreal obtained 14.3 hectares of mixed-use development land in District 7 of Ho Chi Minh City for approx. USD180 million (USD1,260 per sq m)

Capital investment by Asian cross-border investors such as Korean and Japanese is expected to continue, and in particular from the Chinese, brought about by China's long-term goal of forging closer economic and political ties with "Belt & Road" markets. The hospitality sector remains strong on the back of improved tourist interest and international events such as this year's APEC conference which significantly elevated Vietnam's profile. The industrial sector continues to improve as a result of strong economic growth, low labour costs, attractive tax incentives, improved infrastructure and affordable real estate incentivising regional movements towards the country.

EN-BLOC TRANSACTIONS
2 transactions
| USD210m

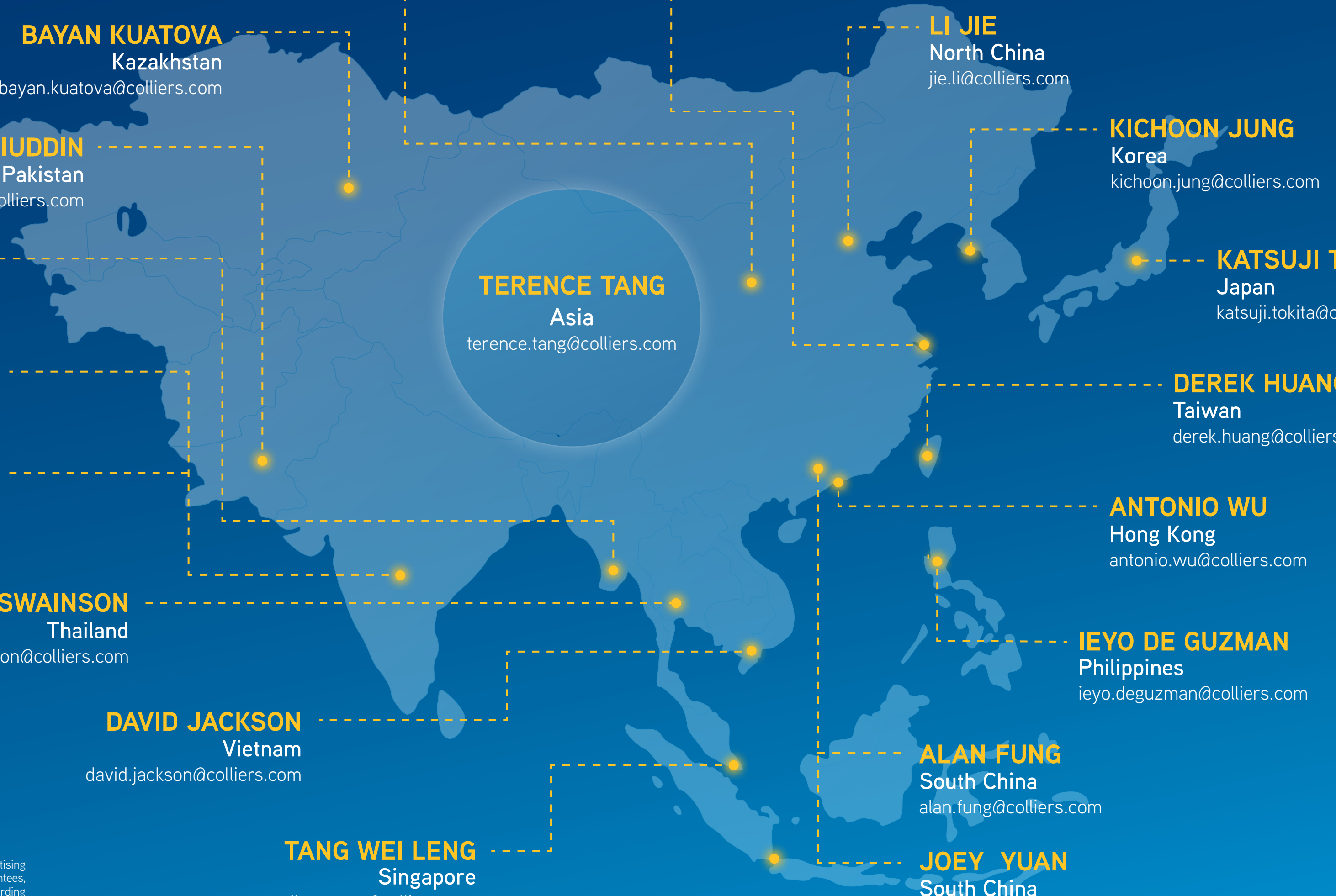
BIGGEST DEAL
USD180m
Diamond City
| Mixed-Use Development Land

MAJOR MOVERS Q4 2017
» Industrial
» Development Land

SECTORS TO WATCH Q1 2018
» Industrial
» Development Land
» Commercial

Capital Markets & Investment Services (CMIS)

We have Asia covered.



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