Asia Pacific
Investment Quarterly

Q1 2017

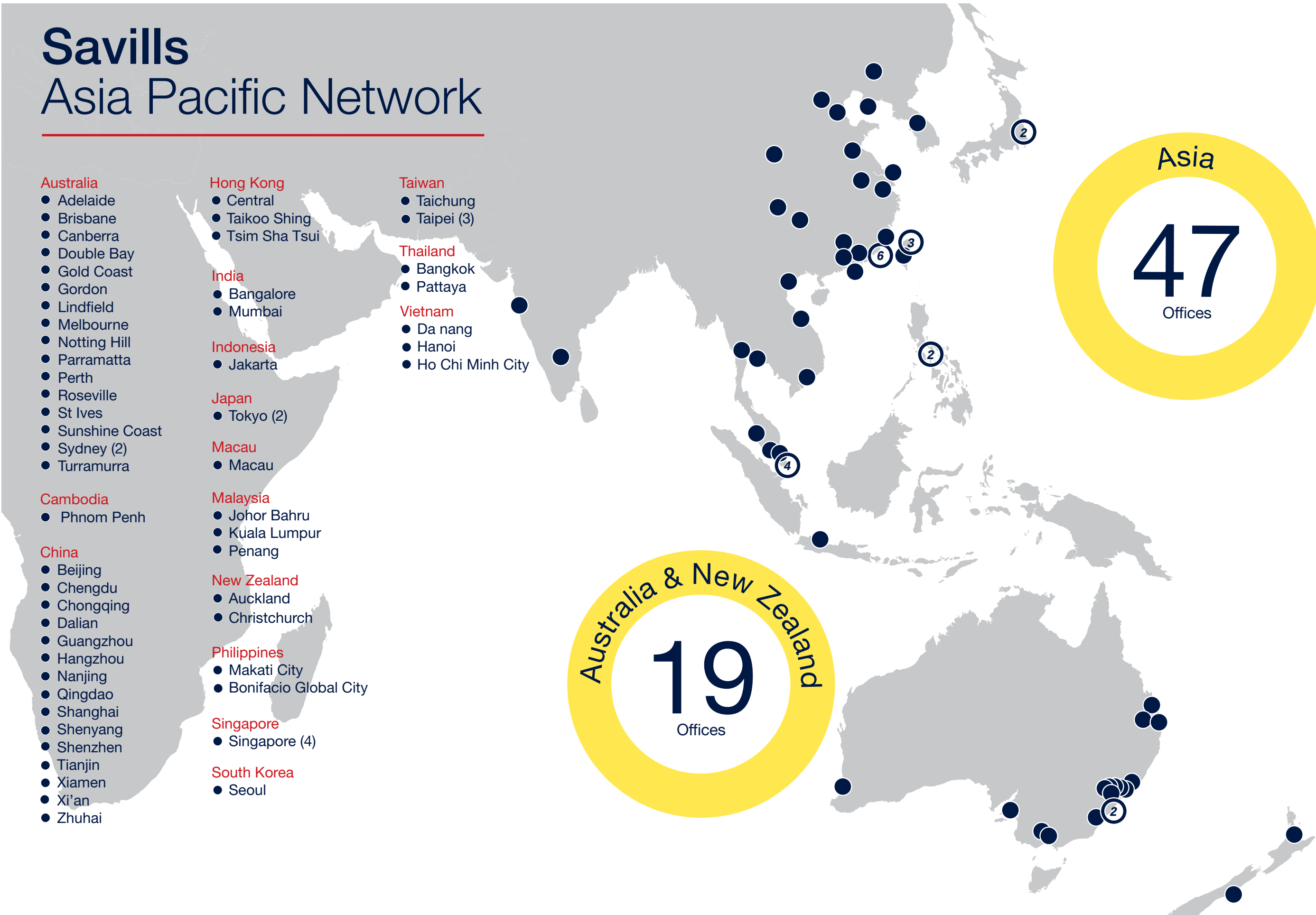
Image: Hong Kong

HIGHLIGHTS

In Japan, although a pull-back from the post-US-election frenzy led to some degree of correction, the fundamentals of the economy remain sound. An improving economic outlook has contributed to better-than-expected leasing market conditions. China's investment market remained active at the start of 2017 on the back of strong deal flow in Shanghai. While office assets remain the preferred investment, a handful of investors are gearing up to deploy significant capital into the for-lease residential market given decreasing affordability and stringent house purchase restrictions in many cities. Despite a challenging political climate, Korean office investment volumes have reached a record high. In Singapore, the abrupt implementation of the ACD took the wind out of the sails of bulk purchases, but in its place, the weight of money from institutions, corporates and high net worth individuals will continue to drive the market. In Hong Kong the office and retail markets look to be at opposite ends of the cycle with retail expected to turn around in 2018. A lack of available stock should support the office market through 2017. In Viet nam rapidly rising numbers of tourists are providing a huge boost to the hospitality sector. Booming tourism is also accelerating coastal development.

Simon Smith, Savills Research

An introduction to Savills



Source: Savills Research & Consultancy

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. The company now has over 700 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

In Asia Pacific, Savills has 66 regional offices comprising over 25,000 staff. Asia Pacific markets include Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Macau, Malaysia, New Zealand, Taiwan, Thailand, Singapore and Viet Nam, with associate offices in Cambodia and the Philippines. Savills provides a comprehensive range of advisory and professional property services to developers, owners, tenants and investors. These include consultancy services, facilities management, space planning, corporate real estate services, property management, leasing, valuation and sales in all key segments of commercial, residential, industrial, retail, investment and hotel property.

A unique combination of sector knowledge and entrepreneurial flair gives clients access to real estate expertise of the highest calibre. We are regarded as an innovative-thinking organisation supported by excellent negotiating skills. Savills chooses to focus on a defined set of clients, offering a premium service to organisations and individuals with whom we share a common goal. Savills is synonymous with a high-quality service offering and a premium brand, taking a long-term view of real estate and investing in strategic relationships.

Contents

Australia

Paul Craig
CEO
+61 2 8215 8888
pcraig@savills.com.au

Chris Freeman
National Head
Capital Strategy
+61 2 8215 6093
cfreeman@savills.com.au

The Australian economy is entering its next phase and purchaser targets for commercial property are beginning to reflect this shift. Over recent years the downturn in the mining investment boom, and subsequent drop in interest rates and surge in residential activity, led to material economic outperformance from the finance-centric economies of Sydney and Melbourne. Now, however, we are seeing clear signs of the economy re-balancing, with performance likely to be less fragmented moving forward.

Over 2016 GDP growth stood at a below trend 2.4%, however headline GDP is not a particularly useful indicator for property investment decisions in an economy as diverse as Australia. What is far more practical (yet less observed) are the business revenue numbers that are released concurrently with GDP – as they give insight into tenant income profiles and therefore likely demand. Looking at these it was actually the mining sector that proved a standout over 2016, with revenues rising by 14.8%, or almost $10bn, as major projects reached completion and commodity prices posted a material recovery.

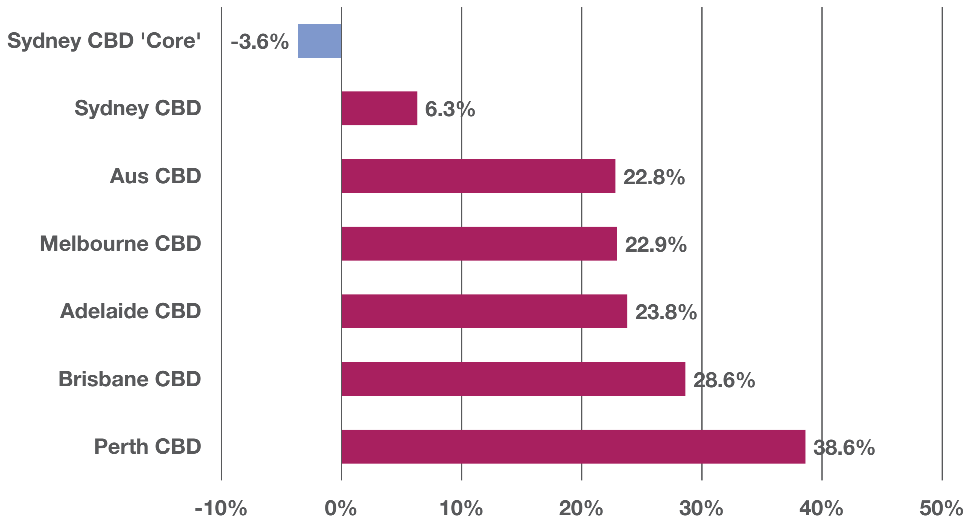
While this revenue figure by itself is not enough to call a change in the times; given the strongest relative net demand across any CBD office market in Australia was evident in Brisbane over 2016, a number of sub-lease floors have been withdrawn in Perth, and job advertisements have grown far stronger across Adelaide than they have in either Sydney or Melbourne, rebalancing is apparent. For the retail and industrial sectors, the strong revenue growth evident in logistics and soft performance of retail signals a continuation of the 'retail's pain is industrial's gain' trend – although retail performance varies greatly based upon location.

For rental growth performance, demand is only half the equation however, and likely supply levels must also be logically assessed. Looking back at total net supply in the CBD markets shows a telling tale that has driven office markets to where they are today. Over the past 12 months Grade A effective rents have risen an exceptional 39.8% in Sydney's CBD Core, yet fallen 9.2% in Perth according to Savills latest numbers. While Sydney's strong economic performance of late is clearly a factor, the stronger, although less obvious driver, is the relative supply levels seen across the two markets over the past decade.

While Sydney's supply will still remain hindered for a number of years due to geographic constraints, savvy investors are now asking themselves whether supply will likely be as prolific moving forward in markets such as Brisbane and Perth now effective rents have moved to a level that materially hinders the feasibility of new development. With a number of major transactions underway across all geographies, Q2-17 will certainly provide some clarity around how investors view this changing landscape.

GRAPH 1

Ten years total net supply by CBD



Source: PCA, Savills

TABLE 1

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
69 Sargents Road	Michinbury, NSW	AU$161.0 mil/US$123.1 mil	Logos	Industrial
82 Waterloo Road	Sydney, NSW	AU$120.0 mil/US$91.7 mil	Romeceti	Office

Source: Savills Research & Consultancy

China (Northern) - Beijing

Eason Yan
Director
Investment, Savills Northern China
+8610 5925 2099
eason.yan@savills.com.cn

Jack Xiong
Head of PDC, Director
Research
+86 10 5925 2042
jack.xiong@savills.com.cn

The en-bloc investment market kicked off the year with a strong start, with both institutional investors and developers actively seeking opportunities in the city. During the quarter, seven major deals were transacted, for an aggregate consideration of RMB5.7 billion.

Faced with a scarcity of land resources and increasing prices, institutional investors continued to look for alternative ways to access opportunities in the market. During the quarter, there was particularly strong interest in development site acquisitions through equity purchases, including:

- Xuhui Group purchased Zhuangwei Fengtai Commercial Plot in Fengtai for a total consideration of approximately RMB620 million, or an average transaction price of RMB40,130 per sq m.

- Vanke Group acquired the Honglingjin Bridge Project in CBD Vicinity for a total consideration of approximately RMB1,215 million. The deal transacted at an average transaction price of RMB21,800 per sq m, which saw Vanke obtain a 60% equity share in the project.

- COFCO Land acquired a 49% equity share in Plot HIJ, Sunhe Village, Chaoyang for RMB604 million. The deal transacted at an average transaction price of RMB12,400 per sq m and will see COFCO partner with CITIC-CP Asset Management.

Investors have also shown a growing appetite for acquiring underperforming assets already operating in the market, with the intention of upgrading them to sell or to operate themselves for a greater yield. For example, Jingrui Group purchased 60 units in the Beijing Sanquan Serviced Apartment in Lufthansa for RMB643 million, which it plans to refurbish.

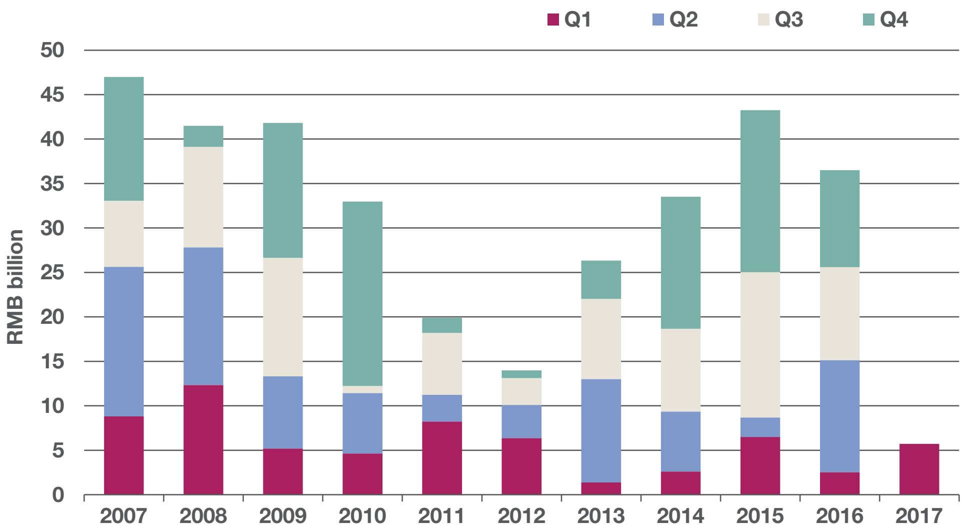
Limited land supply and the enforcement of cooling measures by authorities has seen it become increasingly difficult for investors to gain access to first-hand land resources via auctions. As a result, the market has recently seen more investors look at a variety of opportunities on the second-hand housing market through various financing structures. Deals of interest included:

- Sunac China Holdings agreed to acquire a 6.25% stake in real estate agency Lianjia for RMB2.6 billion, by subscribing to the company's new share issuance. As part of the transaction, Sunac will appoint a director to the board and begin cooperation with Lianjia, also known as Home Link, on various aspects.

- Metro Land Corporation and Lianjia signed a Cooperation Framework Agreement to set up a platform company with a registered capital of RMB50 million. According to the agreement, both parties invested RMB25 million each for a 50% share in the company, which will focus on urban renewal projects in the city.

GRAPH 2

En-bloc investment volumes by property type, 2007–Q1/2017



Source: Savills Research & Consultancy
* Historical data in 2014-2016 has been updated.

TABLE 2

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
Honglingjin Bridge Project (红领巾桥项目) (60% equity share)	CBD Vicinity	RMB1.22 bil/US$177 mil	Vanke Group	Commercial
Beijing Sanquan Apartment (60 units) (北京朝阳三全公寓60个单位)	Lufthansa	RMB643 mil/US$94 mil	Jingrui Group	Residential
Zhuangwei Fengtai Commercial Plot (丰台区庄维商办地块)	Fengtai	RMB620 mil/US$90 mil	Xuhui Group	Commercial
Plot HIJ, Sunhe Village, Chaoyang (朝阳区孙河乡西甸村HIJ 地块) (49% equity share)	Chaoyang	RMB604 mil/US$88 mil	COFCO Land	Residential

Source: Savills Research & Consultancy

China (Northern) - Tianjin

Andy Chee
Senior Director
Savills Tianjin
+86 22 5830 8886
andy.chee@savills.com.cn

Jack Xiong
Head of PDC, Director
Research
+86 10 5925 2042
jack.xiong@savills.com.cn

Tianjin issued a new land transaction policy in Q1/2017, aimed at controlling higher land premiums and ensuring developers submit reasonable bids at auction. Under the new guidelines, a maximum price will be set for all land plots at auction, after which developers may continue to increase their bids by increasing the total area of self-sustaining housing they plan to build.

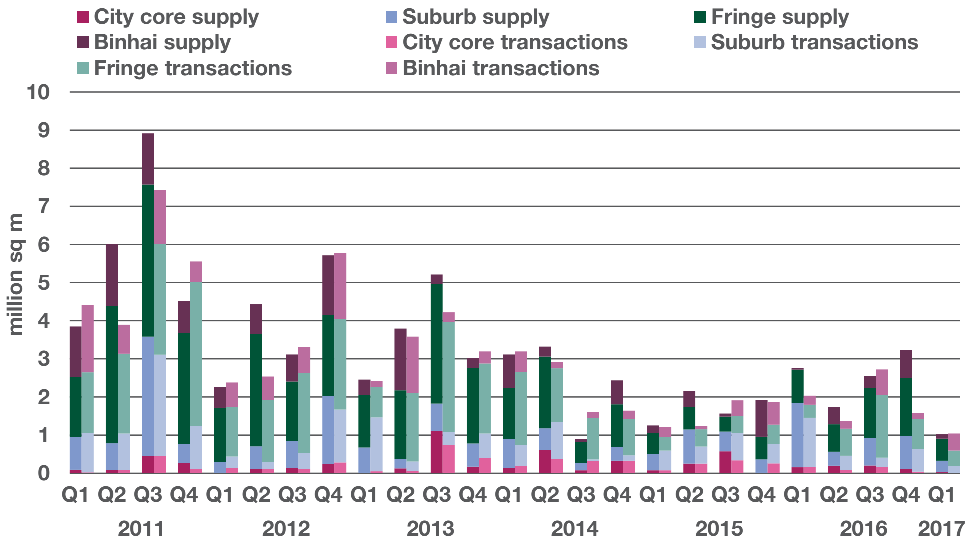
The first quarter of 2017 saw a decline in land supply and transaction volume. Land supply decreased by 68% quarter-on-quarter (QoQ) and 63% year-on-year (YoY) to 1.021 million sq m. Due to the scarcity of land in the city centre, core land supply represented just 2.4% of the total, while suburban and fringe areas accounted for 56.6% and 29.6%, respectively. Turnover also dropped in Q1/2017, to 1.042 million sq m, down 34% QoQ and 49% YoY. The Binhai New Area had the greatest proportion, making up 43.0% of the overall transaction numbers; city core took 0.7% and suburb and fringe areas were 38.7% and 17.5%, respectively.

The period saw a number of significant land deals concluded. China Recourses acquired a 63,000 sq m plot for mixed-use development, located in the Beichen District, for a total consideration of RMB1.9 billion and an accommodation value of RMB17,477 per sq m. On the same day, COFCO Property purchased another land plot in the Beichen District for RMB3.61 billion, with an accommodation value of RMB18,416 per sq m. The 119,000 sq m plot is titled for mixed-use, including residential, retail and education, as well as a public park. The auction for both plots occurred under the new land transaction policy; however, it was not apparent how much self-sustaining housing has been promised. In the past two years, land prices in Beichen have continued to climb due to the rise of interest in the emerging area among developers. Commodity housing in the Beichen district is expected to increase the fastest among the fringe areas on account of its active land market.

One land plot in the Hebei district, with an area of 24,823.8 sq m, will be auctioned at the end of March. The plot is zoned for residential and commercial use, with a constructible GFA of 65,500 sq m. The asking price will be RMB2 billion, or an accommodation value of RMB30,534 per sq m, with the price ceiling set at RMB3 billion. Even with a price ceiling in place, the initial accommodation value already marks a new high for the Hebei district, surpassing the previous record of RMB30,000.

Based on the land transactions concluded this past quarter, the regulations and restrictions regarding price and the building of self-sustaining housing appear to have already been widely applied. Going forward, having the greatest source of capital will no longer be a guarantee for success at land auctions, with the willingness to construct self-sustaining housing now considered an important factor. It is expected that this new policy will help cool the overheated land market and contribute to the stable development of the local real estate market.

GRAPH 3
Land supply and transaction volumes by area, Q1/2011–Q1/2017



Source: Savills Research & Consultancy

TABLE 3
Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
Plot 2016-168 (JDG)	Hedong	RMB425 mil/US$61.5 mil	Tianjin SCSES Real Estate	Mixed-use development site
Plot 2016-030 (JJ)	Ji county	RMB298 mil/US$43.2 mil	Tianjin Zhongshuo Xinzhong Real Estate Development	Residential development site
Plot 2016-5 (JBS)	SSTEC	RMB1.905 bil/US$275.8 mil	Tianjin Tianbao Real Estate Development	Residential development site
Plot 2017-008 (JBC)	Beichen	RMB3.61 bil/US$522.7 mil	Beijing Pengyue Real Estate Development	Mixed-use development site
Plot 2017-009 (JBC)	Beichen	RMB1.9 bil/US$275.1 mil	Beijing Runzhi Business Operations Management	Mixed-use development site

Source: Savills Research & Consultancy

China (Western) - Chengdu

Eric Wo
Managing Director
Savills Western China
+86 28 8658 7828
eric.wo@savills.com.cn

Dave Law
Director
Project & Development Consultancy
+86 28 8665 7375
dave.law@savills.com.cn

Chengdu's annual retail sales topped RMB564.74 billion in 2016, up 10.4% compared to the previous year, albeit 0.3 of a percentage point lower than the growth rate of 2015 (10.7%). The sales of all books, newspapers, and periodicals during this time increased by 7.8% YoY.

Beginning in the second half of 2016, the city's prime retail market has witnessed the openings of several new bookstores, namely Yanjiyou.Jian in Raffles City and a Yanjiyou flagship store in Chengdu International Financial Square. In the coming months, Zhongshuge bookstore will also open in Yintai in99, while domestic publishing company Winshare has signed a cooperation agreement with 9 Square Shopping Mall to build a large reading themed culture centre in southern Chengdu.

The growing rise of e-commerce, and the increasing popularity of e-readers and e-books have led to a decline in brick-and-mortar book sales, forcing book sellers to reinvent the brick-and-mortar bookstore experience by including coffee & tea, food, clothing, art work, flower arrangements, and a variety of other products and services to cater to increasingly diversified consumer demand. In addition, to this innovative business model, these new bookstores have also benefited from a new government directive specifically targeting the development of physical bookstores.

The rising popularity of bookstores in the city can be traced back to previous formats adopted by Fangsuo Commune and Yangjiyou in CapitaMall Tianfu, which began to supplement book sales with coffee, food, stationary and art work selections. Newer bookstores, such as the Yanjiyou.jian branches in Raffles Plaza and Chengdu International Financial Square have expanded this concept and now include specialty restaurants, supermarkets, hair salons, photo galleries and lectures. This trend of diversification is expected to continue with the openings of Zhongshuge, which has already branded itself a "luxury bookstore", as well as Winshare's future project.

It is expected that more shopping malls will begin to search for bookstores as tenants as the trend becomes more popular among the city's consumers, who are increasingly attracted to retailers that provide cultural and entertainment options to supplement the traditional shopping. It remains to be seen if landlords will earn the same rental revenues from these new bookstores as other types of retailers; however, the benefits of new bookstores for projects may be more indirect by helping to drive higher footfalls to other stores in the project, increasing overall profits.

TABLE 4

List of cross border bookstores in Chengdu, 2014–2017

Name	Location	Sq m	Trade mix	Opening date
Fangsuo Commune	Tai Koo Li	3,800	Bookstore, coffee, clothing, stationery, plants, etc.	2014
Yanjiyou	CapitaMall Tianfu	3,600	Bookstore, coffee, gallery, crafts, etc.	2015
Yanjiyou.jian	Raffle City	880	Bookstore, coffee, clothing, crafts, Western Restaurant, etc.	2016
Yanjiyou	IFS	4,000	Bookstore, coffee, crafts, supermarket, hair salon, studio, etc.	2016
Zhongshuge	Yintai in99	NA	Bookstore and other products	2017

Source: Savills Research & Consultancyy

TABLE 5

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
TF(05/07): 2016-27	Tianfu New City	RMB287.65 mil/US$41.59mil	China State Construction Land	Mixed-use
LQ13(252/211): 2016-06	Longquanyi district	RMB2.02 bil/US$293.31mil	PKU Resources	Mixed-use
QY07(211): 2016-051	Qingyang district	RMB630.50 mil/US$91.37 mil	Chengdu City Hing Industrial Development Co., Ltd.	Commercial development site

Source: Savills Research & Consultancy

China (Southern) - Guangzhou

Woody Lam
Managing Director
Savills Southern China
+86 20 3892 7168
woody.lam@savills.com.cn

James Macdonald
Head of Research
China
+86 21 6391 6688
james.macdonald@savills.com.cn

Guangzhou was the only first-tier city to maintain first-hand residential transaction price growth in the first quarter of 2017. Both house purchasers and real estate developers continue to have a positive outlook for the city-wide residential market, despite the stricter regulatory environment. This enthusiasm carried over to the investment market, impacting both the volume of investment transactions and the land auction market.

The land auction market saw 34 transactions in Q1/2017, with total transacted area reaching 1.86 million sq m. Total transaction value registered RMB33.76 billion, three times greater than the previous year, with eleven of the concluded deals achieving premium rates.

Downtown is no longer the only market faced with fierce residential land bidding, as activity in regional submarkets continues to heat up. For example, Jiajun Property won a residential land plot in the Conghua district with an average transaction unit price of RMB7,987 per sq m, at a 45% premium. Rising land prices in suburban areas such as the Conghua district are the result of improving accessibility in suburban areas.

Country Garden Holding also acquired East Lake, a mixed-use residential project currently under construction in the Zengcheng district. Following three successful residential land auction bids this quarter, total transaction value reached RMB15.55 billion, with average transaction unit price exceeding RMB22,625 per sq m. Many developers, such as Country Garden Holdings, have announced plans to increase their market share in the Guangzhou-Dongguan-Shenzhen area.

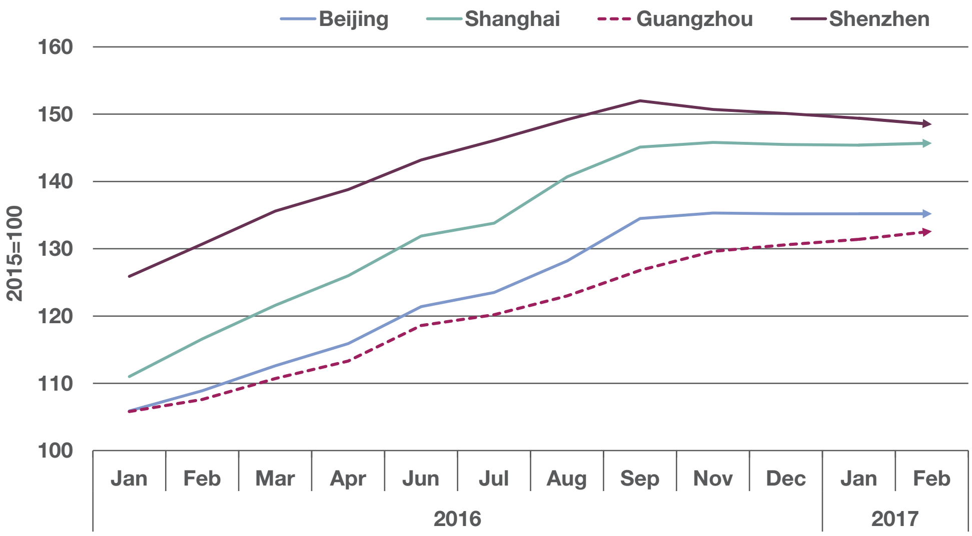
Following rising land prices, the transaction trading market also saw a number of deals this quarter. Tianya Investment acquired Dongying Square, a mixed-use project, from Pokfulam Property. The property registered a transaction price of RMB184.3 million via equity trading. The project, which is located on Dongxiao Road, one of the densest built-up areas in the Haizhu district, has a total land area of 31,500 sq m and a constructed GFA of 153,300 sq m.

The city's investment market saw one office project transaction – the purchase of Weiteng Tower in Zhujiang New Town, Tianhe district. Rastar Group purchased floors seven to 26 of the office tower, with an approximate office GFA of 23,953 sq m, for a price of RMB918.57 million, a unit price of RMB38,350 per sq m.

As the availability of land resources decreases, acquiring developable plots through company acquisition has become increasingly popular. The Yango Group purchased RMB3.18 billion in equity from Hon Kwok Land Investment Company, which owns two land plots in the Tianhe district with a total land area of 95,382 sq m. Country Garden Holdings similarly purchased equity of another smaller developer and owner of a 15,000 sq m plot located in Intelligence City in Tianhe.

GRAPH 4

First-hand residential transaction unit prices index, Jan 2016–Feb 2017



Source: National Bureau of Statistics, Savills Research

TABLE 6

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
East Lake project	Zengcheng district	NA	Country Garden Holdings	Residential & commercial
Weiteng Tower (East Tower 7/F-26/F)	Tianhe district	RMB918.57 bil/US$133.1 mil	Rastar Group	Office
Guangzhou AH040108/ AH040110	Haizhu district	RMB1.30 bil/US$189.2 mil	Huabang Holdings	Commercial
Guangzhou AH040113	Haizhu district	RMB1.61 bil/US$233.6 mil	TCL	Commercial
Guangzhou AF040218	Liwan district	RMB4.00 bil/US$579.5 mil	Greentown	Residential

Source: Savills Research

China (Southern) - Shenzhen

Woody Lam
Managing Director
Savills Southern China
+86 20 3892 7168
woody.lam@savills.com.cn

James Macdonald
Head of Research
China
+86 21 6391 6688
james.macdonald@savills.com.cn

On 4 October 2016, the local government released a new restrictive measure called the "90/70 Policy" aimed at cooling down the city's overheating property market.

The new policy states residential units below 90 sq m must account for no less than 70% of future supply. It has also introduced a set of restrictions on the number of homes that can be purchased by a single person and/or divorcees, and has put in place measures in an attempt to curb speculative buying.

Due to the restrictions implemented in Q4/2016, first-hand residential transaction volumes decreased 54% year-on-year (YoY) to 256,049 sq m in February 2017. First-hand residential market transaction prices have also shown a slight decrease since October 2016, although they are still up 14% YoY, predominantly due to the nature of the city's residential market which still sees constant demand.

The new policy has had a negative effect on the transaction price of units below 90 sq m; those over 144 sq m continue to increase. Limited supply in units over 144 sq m has played an integral role in seeing prices increase with growing demand as buyers look to purchase stock of this size before it is no longer available.

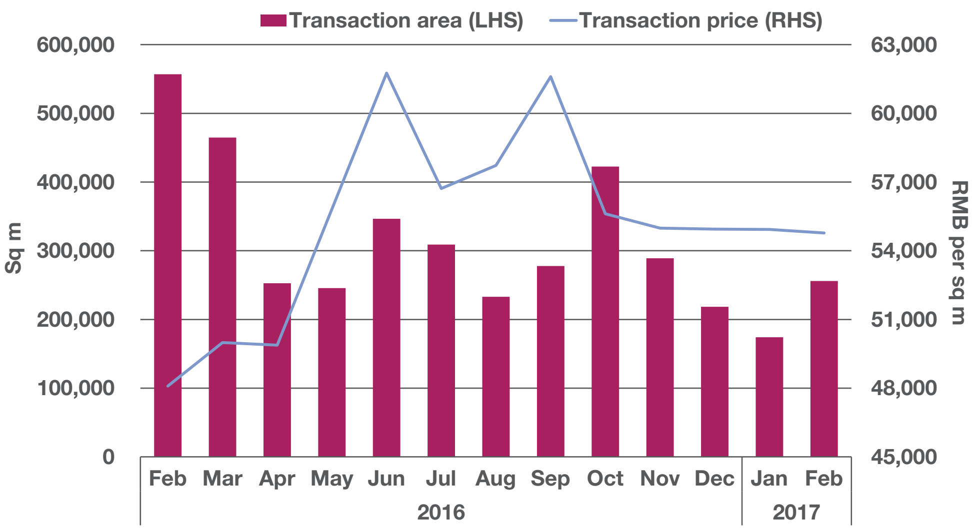
Expected future supply for units below 90 sq m should assist in bringing down prices to a reasonable level in the future.

In 2016, almost 70 cities released restrictive policies on house purchases, with the majority of these cities cancelling their policies since then, with the exception of Shenzhen. The huge growth of residential prices in 2016 saw Shenzhen rank first among all first-tier cities in mainland China. This has seen the local government dedicate themselves to bringing down housing prices in the city and set about building more affordable housing, to remain attractive to the mass market.

The city's residential market got off to a slow start this year, off the back of three years of exponential growth. The local government will need to work hard to control residential prices as more young residents look for more affordable housing purchases outside the city. Decreasing levels in the younger population could ultimately lead to a slowdown in the city's development. Government support for the future development of the Guangdong Bay Area is expected accelerate the development of Shenzhen. Under the plan, the construction of new roads and railways will enhance the interconnectivity of Shenzhen and neighboring cities, stimulating new economic growth. Despite the current level of housing prices and the government's plan to issue new regulations later this year, the property market has much to benefit from the increasing integration of the region.

GRAPH 5

Residential transaction area and price, Feb 2016—Feb 2017



Source: Shenzhen Land & Real Estate Exchange Centre

TABLE 7

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
Land A002-0059	Bao'an district	RMB1.15 bil/US$167 mil	APSTAR Communications (Shenzhen) Co., Ltd	Commercial
Land A811-0322	Longhua district	RMB5.98 bil/US$868 mil	Overseas Chinese Town (OCT)	Commercial

Source: Savills Research

China (Eastern) - Shanghai

Steve Chen
Head of Investment, China
Deputy Managing Director,
Shanghai (Investment)
+86 21 6391 6688
steve.chen@savills.com.cn

James Macdonald
Head of Research
China
+86 21 6391 6688
james.macdonald@savills.com.cn

A record year for outbound investments, 2016 witnessed the closing of a number of sizeable and high-profile deals. This came at a time when regulators looked to control capital outflow in response to a weakening of the RMB against the US dollar.

The total volume of outbound real estate investment from China reached US$41 billion in 2016, up 31% year-on-year (YoY) according to RCA database. Office and hotel assets were the most popular asset classes for Chinese investors, accounting for 33% and 20% of all transactions from 2015-2016, respectively. Chinese investment deals abroad made frequent headlines, with Anbang Insurance Group's US$6.5 billion acquisition of Strategic Hotels & Resorts Inc particularly eye-catching. The increasing number of outbound investment deals is an indication of investors' confidence in overseas market as well as their urge to diversify their holdings in order to mitigate the risks caused by RMB depreciation and mainland economic uncertainties.

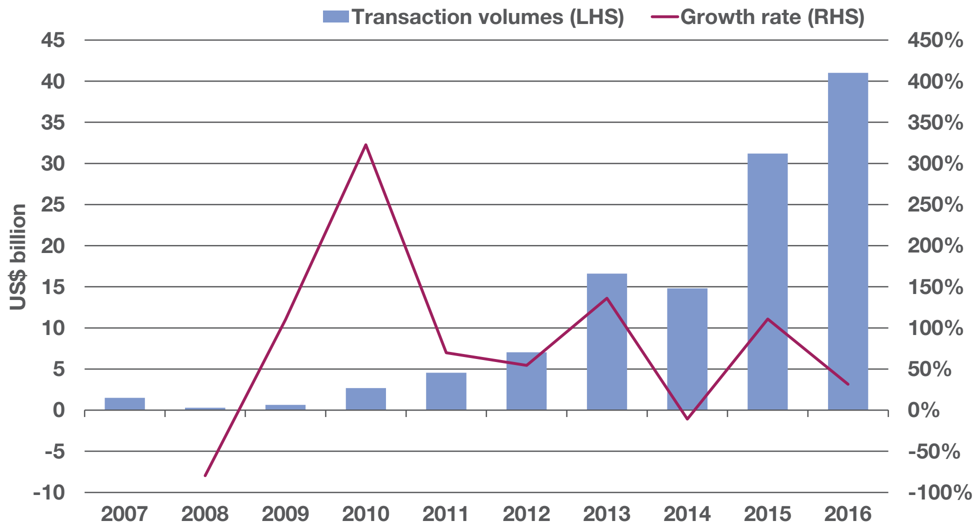
Though there have been controls on the outflow of capital in China for a long time, the government instituted tighter capital controls which apply to both citizens and companies at the end of 2016 as China's foreign exchange reserves continued to shrink. The controls include the restriction of overseas real estate investment in excess of US$1 billion by SOEs, as well as comprehensive oversight when company or individual move money overseas. China will also imminently introduce its first overseas investment regulation to define overseas investments, approval procedures, financing, profit sharing and tax policies. Chinese authorities emphasised that the goal of these controls is to curb hot money fleeing China rather than forbid the outflow of capital completely.

Stricter regulations on outbound direct investment and currency outflows could help limit the depreciation of the Chinese yuan in the short term, however, it will also have a number of other consequences. In recent months there have been reports of a number of abandoned projects in Malaysia as individual buyers find it increasingly difficult to complete payments of secured properties as a result of the capital controls. The controls also impact institutional investors with reports of another Chinese investor cancelling a US$100 million investment in a U.S. residential property portfolio. Even just the potential of having deals scuppered at the last moment by capital controls can be enough to significantly disadvantage Chinese investors bidding on overseas properties, with sellers unsure about the buyer's ability to conclude the deal.

Investors unable to transact on offshore commercial properties are more likely to turn their attention to domestic first tier city markets. Shanghai's investment market recorded RMB44.4 bn in deals in the final quarter of 2016 almost three times the average quarterly volumes, in part due to these controls and the expectation of further growth in capital values.

GRAPH 6

Outbound investment volume, 2007–2016



Source: Shanghai Ststistics Bureau, Savills Research

TABLE 8

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
Silver Court	Huangpu	RMB3.5 bil/US$507.9 mil	Zhong Rong Trust	Mixed-use
Poly Greenland Plaza B1, C1-C2	Yangpu	RMB1.6 bil/US$232.2 mil	Jiangsu Yancheng Investment	Office and retail
Central Park Tower	Putuo	RMB1.4 bil/US$203.1 mil	Blackrock	Office
Baolong Building	Huangpu	RMB1.32 bil/US$191.5 mil	Ascendas-Singbridge Group	Office
Graceland International Hotel	Huangpu	RMB610 mil/US$88.5 mil	Nova Property Investment	Hotel
Rainbow City-Hall of the Moon SA	Hongkou	RMB498 mil/US$72.3 mil	CSC Group	Serviced apartment

Source: Savills Research & Consultancy

Hong Kong

Peter Yuen
Managing Director
Head of Sales
+852 2842 4436
pyuen@savills.com.hk

Simon Smith
Senior Director
Head of Research
+852 2842 4573
ssmith@savills.com.hk

Hong Kong's retail sector is finally bottoming out as retail sales and rents appear to have grounded. Numerous of vacant units litter secondary and tertiary streets, however, which could take nine to twelve months to absorb. Market yields are currently around 2.5%. When the market does turn up next year, we believe it will do so gradually in contrast to recent years of heady year-on-year growth, and opportunity will be found in secondary streets and arcades. We also like the outlook for urban centres Yuen Long and Tuen Mun, where retail is doing well. Growing local residential populations, better infrastructure and same day mainland shoppers means these centres are leaving their countryside feel long behind them. With some of the highest rates of population growth and some of the lowest per capita provision of retail, Tuen Mun and Yuen Long both look like good prospects for the retail sector investor on a 5 year view.

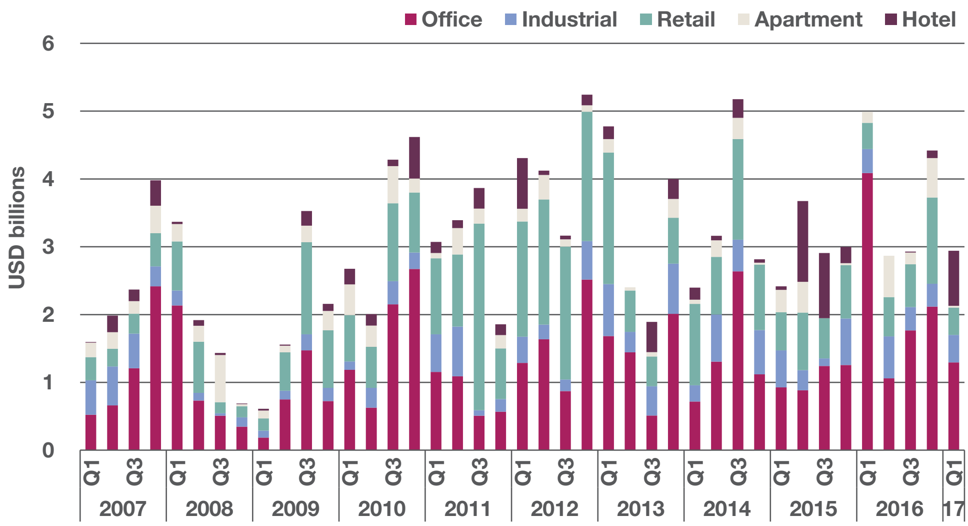
Sentiment will be given a further boost by the government sale of the 204,988 sq ft Kai Tak Area 1K Site 2 (NKIL 6556) on May 26th (the result of the Site 1 tender will be announced this week). The final development will consist of a retail podium, a five-star hotel and Grade A offices. With a GFA of around 1.9 million sq ft the site could fetch as much as HK$16 billion. Interest will be strong as developers compete to snap up "Kai Tak's IFC'.

The office sector saw a sharp pick up in pace during the first quarter, mostly in Central and Wanchai due to the recent Murray Road Carpark tender. Expectations are high that a record price will be achieved, possibly an AV of HK$40,000 to HK$45,000 per sq ft. The tender closed on Friday May 12th at noon but we don't expect to hear the result until May 19th. An AV of HK$45,000 per sq ft translates into a final price of around HK$60,000 per sq ft gross and could prompt a further 10% price hike in the surrounding office market. Nearby, Lippo Centre is currently trading at HK$33,500 per sq ft (41/F) and Cosco Tower at HK$30,000 per sq ft (34/F). Despite the recent domination of the land market by mainland firms, local developers will also be aggressive bidders for this site.

Availability of sales stock remains tight on Hong Kong Island, creating opportunity and some deal flow while in areas like Kowloon East the market is hardly moving. An imminent supply hike and a soft leasing market (Goldin Building remains stubbornly vacant despite asking rents 10% below market at HK$21 to HK$23 per sq ft). Outside the market for government sites, mainland interest has also slowed in the face of recent capital controls. On a more positive note, the potential for rental growth remains in some buildings in core and core/ fringe locations.

GRAPH 7

Hong Kong transactions volumes of income producing assets, Q1/2007-Q1/2017



Source: RCA

TABLE 9

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
1-5 Pollock's Path	The Peak	HK$2.80 bil/US$361.3 mil	TBC	Residential
Newton Place Hotel	Kwun Tong	HK$2.30 b il/US$296.8 mil	Tang Shing Bor	Hotel
Zung Fu Aberdeen Garage	Wong Chuk Hang	HK$1.56 bil/US$201.3 mil	Empire Group	Industrial
Patina	Kowloon City	HK$1.30 bil/US$167.7 mil	Tang Shing Bor	Residential
Newton Inn	North Point	HK$1.0 bil/US$129.0 mil	TBC	Hotel

Source: EPRC, Savills Research & Consultancy

Japan

Christian Mancini
CEO, Asia Pacific (Ex Greater China)
Savills Japan
+81 3 6777 5150
cmancini@savills.co.jp

Tetsuya Kaneko
Director
Research & Consultancy
+81 3 6777 5192
tkaneko@savills.co.jp

Japan's real GDP growth for Q4/2016 was 0.3% quarter-on-quarter (QoQ) for an annualised rate of 1.2%. Positive net exports and investment contributed to this growth. Additionally, in its latest World Economic Outlook report, the International Monetary Fund (IMF) revised upward its forecast of Japan's GDP growth by 0.4% and 0.1% to 1.2% and 0.6% in 2017 and 2018 respectively. The IMF cited a cyclical recovery in global manufacturing and trade that began in 2H/2016 as a reason for the revision.

The Bank of Japan (BOJ) maintains its somewhat optimistic view on the Japanese economy, considering that moderately increasing capital investment and improving labour and wage environments support sound consumer confidence and economic recovery. In February, core inflation increased by 0.2% year-on-year (YoY) while core-core CPI was down 0.1% (all items less food and energy).

As the Fed is expected to continue to raise interest, the ten-year Japanese government bond (JGB) yield may inch up due to increasing pressure from global interest rate hikes. When the ten-year JGB yield ticked up towards late January, the BOJ increased purchases of JGBs with maturities of more than five to ten years from JPY410 billion to JPY450 billion. Furthermore, the BOJ purchased 21.7 billion yen worth of J-REIT units in the first three months of 2017, staying on track to achieve its annual target of 90 billion yen.

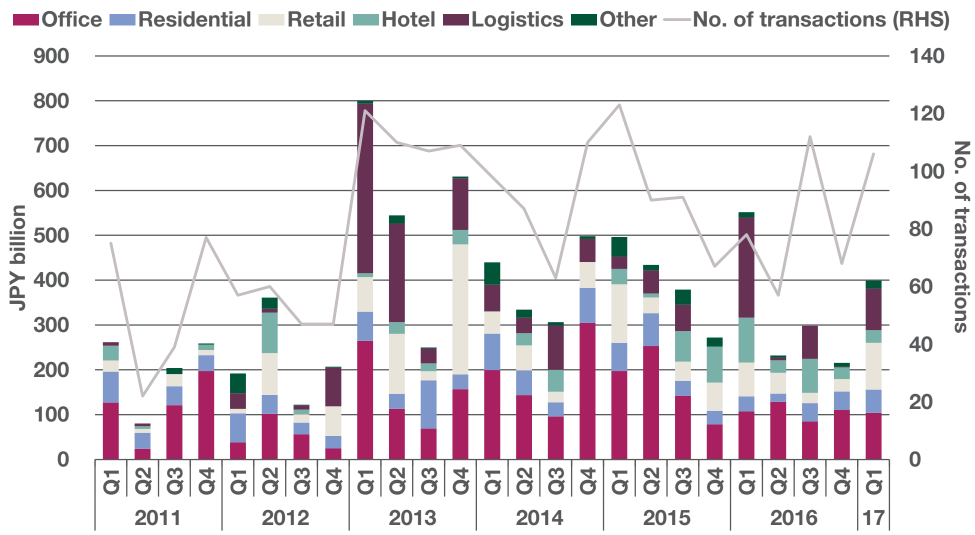
As investors woke up following the frenzy of the US election, some key indexes showed corrections. The yen, which depreciated to weaker than 118 JPY per US dollar immediately after the election, has since rebounded and currently fluctuates around 110 JPY to be in line with the Japanese corporate assumptions. The TSE J-REIT index has been softening since January and stood at 1,776 at the end of March.

In Q1/2017, J-REIT property transaction volumes registered at 399 billion yen, about 72% of the same period in 2016. A lack of affordable investment opportunities appears to continue to be holding back property acquisitions, with large decreases seen in the logistics and hotel sectors. That being said, the number of transactions was 106, up by 36% YoY. As global economic uncertainty recedes, investors might be more willing to take actions.

The office market in Tokyo continued to trend upward despite a large amount of new supply in the pipeline. In Q1/2017, average rents for Grade A office space strengthened to JPY32,142 per tsubo, up by 1.4% QoQ and 2.5% YoY. Although occupancy showed sings of temporary softening, strong pre-leasing activities of upcoming projects indicate sound underlying office demand. Better-than-expected pre-leasing trends imply that stable market conditions could continue, at least through early 2018.

GRAPH 8

J-REIT property acquisitions by sector, Q1/2011–Q1/2017



Source: Japan REIT, Savills Research & Consultancy

TABLE 10

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
TOC Minatomirai	Yokohama, Kanagawa	JPY66.5 bil/US$580 mil	Hulic, Fuyo General Lease	Office
MHI Yokohama Building	Yokohama, Kanagawa	JPY60.0 bil/US$530 mil	Hulic	Office
Sun Route Plaza Tokyo	Urayasu, Chiba	JPY26.8 bil/US$220 mil	ORIX JREIT	Hotel
Royal Parks Tower Minami-Senju	Arakawa Ward, Tokyo	JPY21.9 bil/US$190 mil	Invincible Investment	Residential
A-Place Shinagawa Higashi	Minato Ward, Tokyo	JPY18.8 bil/US$160 mil	Activia Properties REIT	Office

Source: J-REIT disclosures, Nikkei Real Estate, Real Capital Analytics, Savills Research & Consultancy

Malaysia

Christopher Boyd
Executive Chairman
Savills Malaysia
+603 2092 5955 ext 149
chris.boyd@savills.com.my

Nabeel Hussain
Associate Director
Savills Malaysia
+603 2092 5955 ext 126
nabeel.hussain@savills.com.my

Land or development-related investment activity continues to remain popular, as developers are hopeful of a market recovery and attractively-priced, income-yielding assets are difficult to find. During the first quarter of 2017, seven of the 12 major deals recorded were for development sites, whereas five were for investment assets. The total investment value was up 40% from Q1/2016's RM1.4 billion, to RM1.96 billion.

Malaysian Resources Corp Bhd (MRCB) has inked a Memorandum of Understanding (MOU) earlier this quarter to collaborate on developing an integrated transportation terminal within Bandar Malaysia, with its partners being Iskandar Waterfront Holdings (IWH) and China Railway Engineering Corp (CREC), the master developer for the 486-acre land plot.

Elsewhere, GLCs took a more active role in development as well, with Kumpulan Wang Persaraan (KWAP), taking up a 20% stake in Eastern & Oriental Berhad's Seri Tanjung Pinang Phase 2A in Penang for RM766 million. Seri Tanjung Pinang Phase 2 is a concession by the Penang State Government to reclaim and develop approximately 760 acres of land off the north-east of Penang Island, which has otherwise run short on developable land. Also noteworthy was the agreement between Ecoworld and EPF to joint-venture in developing 375 acres in Batu Kawan, Penang, with a combined GDV of nearly RM8 billion. Furthermore, in the first week of April, EPF announced its investment into OSK Holdings Berhad's 5-acre mixed-use development in Melbourne, Australia.

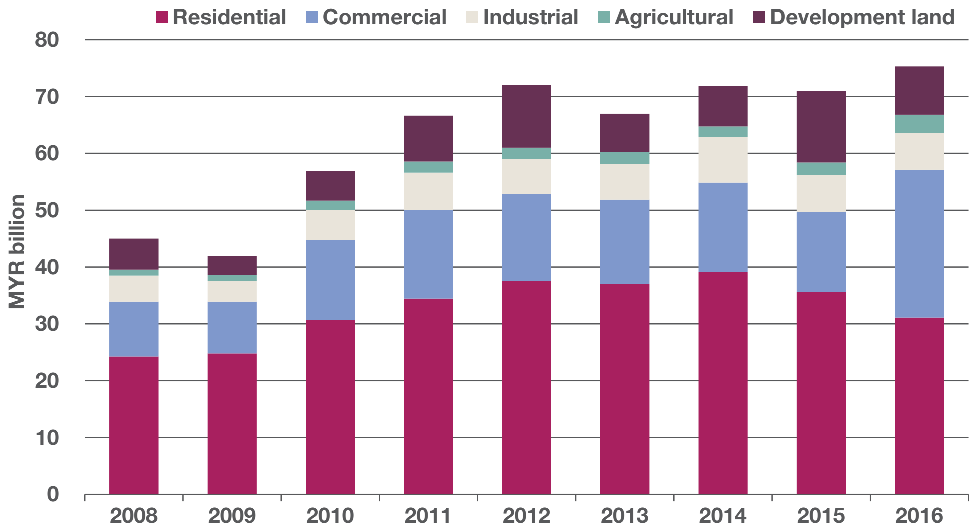
Meanwhile in Johor, BCB Berhad acquired six adjoining lots of freehold residential land, aggregating 47 acres, in Batu Pahat for RM34.6 million (RM17 per square foot). The lands were acquired from Singaporeans and will be developed into premium landed residential homes, with the intention to enhance BCB Berhad's position as a leading developer in the town of Batu Pahat, which is expected to have a station on the Kuala Lumpur-Singapore high speed rail track.

As for asset investments in Q1/2017, the 24-storey Menara Prudential office tower in Kuala Lumpur city centre was sold for RM125 million, approximately RM760 per square foot. Subsequently, Pelaburan Hartanah Berhad was reported to have acquired a prime asset in Subang Jaya, Selangor, namely Empire Shopping Gallery, for RM570 million cash from Mammoth Empire Holdings (MEH). MEH has the option to buy-back the shopping mall in five years at a predetermined price.

Sunway REIT acquired an industrial asset with a long lease-back, providing stable income until 2025, in Shah Alam, Selangor, for RM91.5 million.

GRAPH 9

Total value of property transactions per subsector in Greater Kuala Lumpur, 2008–2016



Source: NAPIC
* In this chart, Greater Kuala Lumpur consists of the State of the Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.

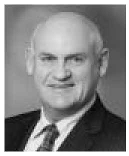
TABLE 11

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
Seri Tanjung Pinang Phase 2A	Tanjung Tokong, Penang	RM766.02 mil/US$174.25 mil	Kumpulan Wang Persaraan (KWAP)	Commercial
Empire Shopping Gallery	Subang Jaya, Selangor	RM570 mil/US$129.66 mil	Pelaburan Hartanah Berhad	Commercial
Menara Prudential	Jalan Sultan Ismail, Kuala Lumpur	RM125 mil/US$28.43 mil	KL 33 Properties Sdn Bhd	Commercial
IDS Manufacturing Factory	Shah Alam, Selangor	RM91.5 mil/US$20.81 mil	Sunway REIT	Industrial
Development of 60 acres land	Bandar Malaysia	-	JV between MRCB, Wondrous Vista Development Sdn Bhd and Bandar Malaysia Sdn Bhd	Integrated transportation terminal

Source: Company announcements, Savills Research & Consultancy

New Zealand



Paddy Callesen
Managing Director
Commercial Sales
+64 (0) 27 271 1558
pcallesen@savills.co.nz

Harold McCracken
Associate Director
Commercial Sales
+64 (0) 27 445 1201
hmccracken@savills.co.nz

Foreign investment, tourism and immigration continue to stimulate the New Zealand economy and property sector. Population growth has placed supply pressure on property markets in high growth locations within the country with the greatest effect being in Auckland. Low vacancy rates, rising rentals, strong occupier demand and stabilised yields are the trends characterising the market.

Investors chasing yield is being driven by historically low interest rates although the market is now of the belief that we have seen the end to this downward trend. Some uncertainty has crept into investors thinking about accepting current low yields particularly institutional buyers.

Syndication companies are still looking to buy at 7% or better as their investor base compares this return with bank deposits which are still very low.

New Zealand's economy grew slightly slower than market expectations in the December 2016 quarter, increasing by 0.4%.

Growth in economic activity was boosted by growth in the services sector supported by ongoing population growth. Whereas, the manufacturing and primary sectors contracted in the quarter. Strong growth in the number of overseas visitors is boosting the tourism sector which is also underpinning economic growth.

Factors that are likely to support economic growth includes:

- Inflation is continuing to be relatively benign and as a consequence RBNZ's monetary policy settings are likely to remain accommodative in the short to medium term;

- Lower than average interest rates are supporting growth in economic activity;

- Stronger population growth, particularly in Auckland as a result of increased positive overseas net migration, is expected to continue to support growth, although net migration of 71,000pa appears to have peaked;

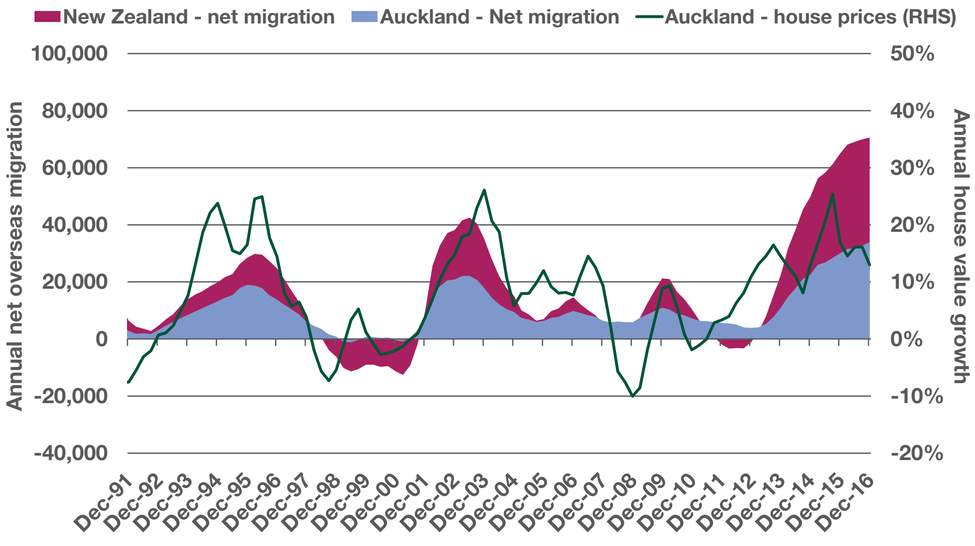
- Strong growth in the number of overseas visitors, up 11% over the last year to 3.5 million visitors is supporting growth across the country. Tourism is one of our largest earners of overseas income;

- Increased levels of construction activity are also supporting growth. The number of new residential consents appears to have peaked at approximately 10,000 in Auckland, well short of what is required to match the growth in demand.

The Auckland region continues to be one of the fastest growing economies in the country. A combination of factors is driving the region's strong growth. Growth in both domestic and overseas tourism is benefiting the retail and hospitality sectors. Strong population growth of almost 3.0% per annum is driving uplift in both commercial and residential activity which in turn also supports above average retail sales growth. In the short term, barring external shocks, it is hard to see a change in local economic conditions. Strong regional economic growth combined with accommodative monetary policy settings will continue to underpin the region's property markets.

GRAPH 10

Net migration gain and residential house price growth, Dec 1991–Dec 2016



Source: Statistics New Zealand, Corelogic

TABLE 12

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
2 Kalmaia Street	Ellerslie, Auckland	NZD5.14 mil/US$3.59 mill	Private	Office
87 Lady Ruby Drive	Ellerslie, Auckland	NZD6.0 mil/US$4.20 mil	Private	Industrial
11 Turin Place	East Tamaki, Auckland	NZD14.22 mil/US$9.94 mil	Private	Industrial
25 Hargraves Street	St Marys Bay, Auckland	NZD5.4 mil/US$3.78 mil	Private	Mixed-use

Source: Savills Research & Consultancy

Philippines

Michael McCullough
Managing Director
KMC Savills, Inc
+632 217 1730
michael@kmcmaggroup.com

Antton Nordberg
Head of Research
KMC Savills, Inc
+632 403 5519
antton.nordberg@kmcmaggroup.com

The Philippine capital market was relatively quiet at the beginning of the year despite favorable economic indicators pointing towards robust growth this year. In 2016, the country was one of the fastest growing economies in Asia, outpacing countries such as Vietnam and China. Overseas remittances and the expanding outsourcing and offshoring sector remain to fuel the consumption-driven economy.

The sustainability of this trajectory rests upon the country's capacity for larger investments. Compared to the rest of the ASEAN, the Philippine economy still lags in the necessary capital spending to cement future growth. However, we are beginning to observe the start of a turnaround in the country's economic landscape. Investments had a solid run in 2016 after expanding by 20.8% YoY – the second consecutive year of double digit growth – and considerably increasing its share in the economy. We believe this is highly attributable to the significant growth in foreign direct investments (FDI). In the past five years, FDIs have magnified by a CAGR of 31.4% and reached an all-time high of US$ 7.9 billion last year, and momentum seems to be slowly building up. In January, FDIs were off to a good start after growing by 16.6% YoY.

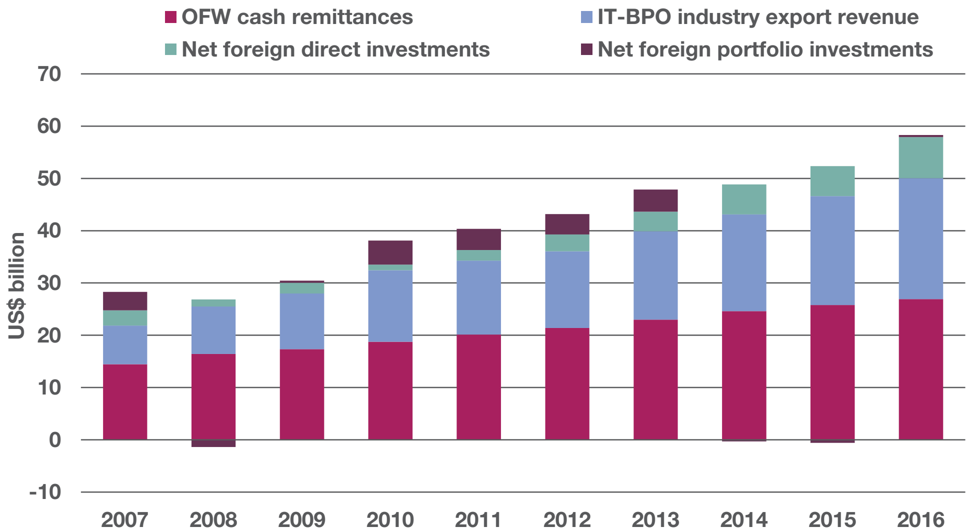
The government has already started laying out the necessary foundation in order to support the future influx of foreign investments. Infrastructure has been a highlight of their programs lately through planned fiscal stimulus and accelerated roll out of public-private projects. In addition, tax reforms are being advanced in congress. Part of the proposal is to alleviate the hefty personal and corporate income tax rates which should not only benefit domestic consumption but private investment as well.

As such, optimism is still high over the prospects of the Philippine economy, but the key challenges remain intact. In the World Economic Forum's recent Global Competitiveness Report, the Philippines dropped ten notches in the ranking. The country's score was dragged by the decline in the quality of its institutions and the inefficiency of its local-dominated market. This highly reflects the country's subsisting structural problems such as public corruption and red tape, and its restrictions towards foreign players.

Although we do not discount these factors' long-term effects, we are of the view that the current positive developments will still bolster the desirability of the Philippine real estate market going forward. We should thus expect an improvement in transaction activity in the quarters ahead after a rather quiet 2016.

GRAPH 11

Inflows of capital, 2007–2016



Source: BSP, WTO

TABLE 13

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
Hotel 101 Manila	Manila	-	Millennium Global Holdings	Hotel
MyTown	Makati	-	SM Investments Corporation	Residential

Source: KMC Savills Research, Savills Research & Consultancy

Singapore

Christopher J Marriott
Chief Executive Officer
Southeast Asia
+65 6415 3888
cjmarriott@savills.asia

Alan Cheong
Senior Director
Research
+65 6415 3641
alan.cheong@savills.com.sg

According to Savills estimates, because of the high base of S$8.01 billion recorded in the previous quarter, Singapore real estate investment sales fell 33.6% quarter-on-quarter (QoQ) to S$5.32 billion in Q1/2017. Despite the fall, the investment sales market remained healthy in the reviewed quarter.

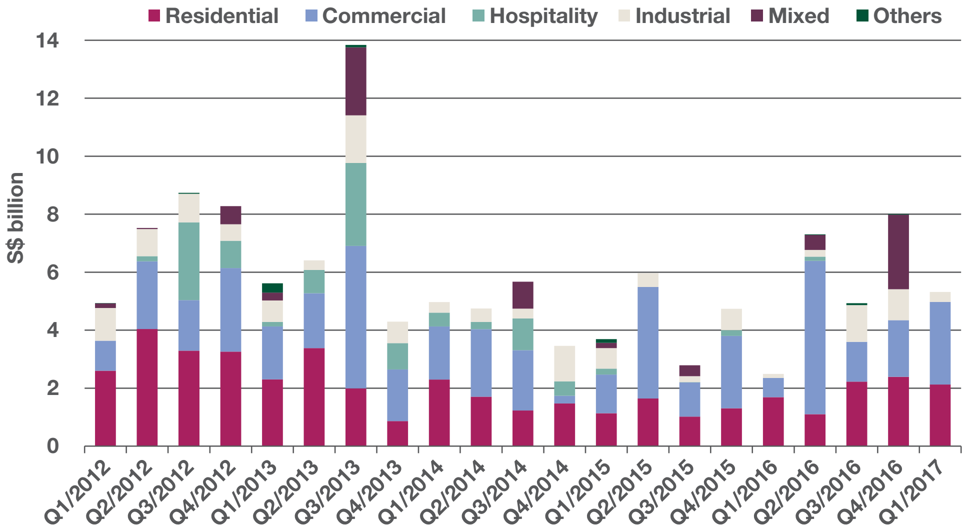
Investment sales in the private sector showed a moderate decline of 4.6% QoQ in Q1/2017, to S$4.85 billion from 54 transactions. The commercial segment recorded a high note in the reviewed quarter. The most notable deals included the sale of a 70% stake in TripleOne Somerset to Hong Kong's Shun Tak Holdings for S$880.6 million; Manulife's S$746.8 million acquisition of PWC Building; and the GSH-led consortium's divestment of Plaza Ventures Pte Ltd, which holds GSH Plaza, for S$663.5 million. Owing to a limited number of sites on the Government Land Sales Programme list, investment sales in the public sector were relatively quiet. Only four land parcels were awarded in Q1, totalling S$472.4 million in value.

The investment sales market has faced some headwinds in the recent months. One is that since the beginning of 2017, there have been stricter controls on the outflow of Forex from China. This, to some extent, impacted Chinese companies' and individuals' investments into overseas property. The other is the introduction of additional conveyance duty (ACD), a new stamp duty to be levied on the purchase and sale of residential real estate in property-holding entities from 11 March. Therefore, in order to avoid the new stamp duty, some deals for bulk residential units (made by transferring shares of property-holding entities) were concluded at the eleventh hour on 10 March and contributed a substantial amount to Q1's investment sales. However, in the future, such transactions are likely to dry up, leaving asset sales to be the main option left for developers with unsold inventory.

With greater focus and weight of money now being channeled to the commercial, retail and hospitality sectors here, investment sales are expected to continue, despite yield compression. As both private equity funds and ultra-high net worth individuals have either raised new money or have a need to diversify to reduce concentration risk, yields have the potential to remain low, and go lower, as prices will either hold firm or even edge up.

GRAPH 12

Transaction volumes of investment sales by property type, Q1/2012–Q1/2017



Source: Savills Research & Consultancy

TABLE 14

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
TripleOne Somerset (70% stake)	Somerset Road	S$880.6 mil/US$630.04 mil	Shun Tak Holdings	Commercial
PwC Building	Cross Street	S$746.8 mil/US$534.31 mil	Manulife Financial Corp	Commercial
GSH Plaza (about 229,000 sq ft of office space)	Cecil Street	S$663.5 mil/US$474.70 mil	Fullshare Holdings	Commercial
The Nassim (45 units)	Nassim Hill	S$407.2 mil/US$336.23 mil	Kheng Leong Company	Residential
Government land	West Coast Vale	S$292.0 mil/US$296.97 mil	China Construction (South Pacific) Development Co Pte Ltd	Residential

Source: URA, Savills Research & Consultancy

South Korea


K.D. Jeon
CEO
Savills Korea
+82 2 2124 4101
kdjeon@savills.co.kr

JoAnn Hong
Director
Research & Consultancy
+82 2 2124 4182
jhong@savills.co.kr

Despite a challenging political climate, Korean office investment volumes exceeded KRW1.8 trillion, as multiple property transactions, which had been underway since 2016, were successfully concluded. There is ongoing downward pressure on the base interest rate in light of economic fundamentals. However, the benchmark interest rate has remained at 1.25% since June 2016, amid capital flight concerns triggered by the Fed rates looking likely to overtake the Bank of Korea (BOK) rate. Yields on five-year government bonds and borrowing costs rose slightly in Q1/2017, due to rising US interest rates and domestic political uncertainty.

In January 2017, the Booyoung Group, a domestic construction company, purchased the Booyoung Eulji Building for KRW438 billion. The asset has a vacancy rate exceeding 75% after Samsung Fire & Marine Insurance vacated the premises.

Igis Asset Management acquired T Tower from Midas Asset Management for KRW188.7 billion in January 2017. The major investor is PGIM. T Tower has recently attracted new tenants, including MPC and SK Communications, and is now effectively stabilised.

KTB Asset Management acquired the Ilsong Building from Mirae Asset Management for KRW127.1 billion in March 2017. Two European investors invested the full amount of equity for the deal. WeWork signed a 15-year lease in the building, which offers an unusually long income profile with scope for capital value growth driven from surrounding area improvements.

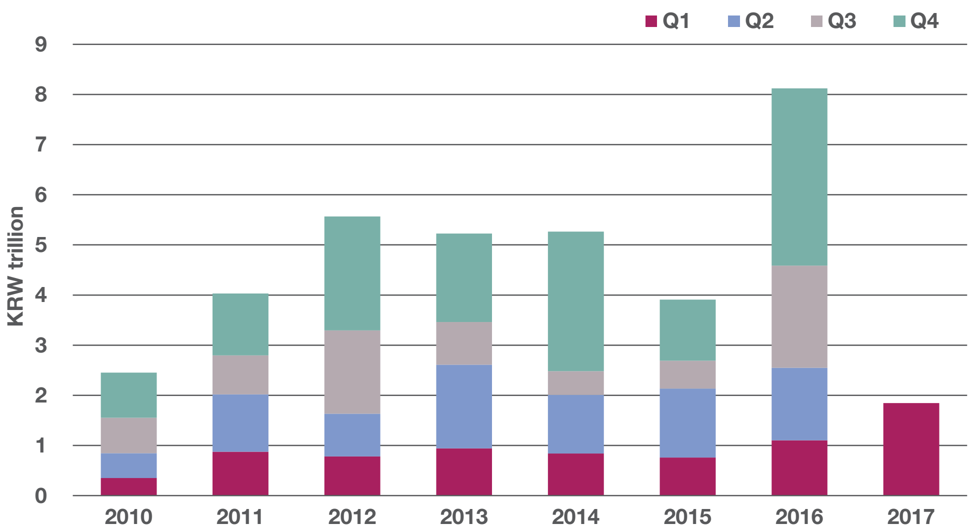
The Bareun Building in Gangnam was sold for KRW77.7 billion through a public offering fund created by IGIS Asset Management. Approximately KRW33 billion was raised through this fund. A stable dividend helped entice investors, as the asset was sold with the benefit of a 10-year master lease to law firm Bareun.

In addition to hard asset transactions, a number of forward sales have been recently executed. Dongbu AMC (Orion Partners backed by an overseas pension fund) contracted to acquire 5th District in Seosomoon at the end of March. KORAMCO AMC committed to an MOU on the A Building at Majestar City, following the sale of B building, which was forward-purchased last year by IGIS AMC (Invesco was the investor).

As of Q1/2017, assuming a 90% occupancy based on face rents, the prime Seoul cap rate equates to 4.7%. However, if one considers current effective rents, prime net initial yields are trading in the low 4% range. At the end of March, even though the yield on five-year government bonds rose above 1.8%, the spread was in the neighbourhood of 300 basis points (bps). In general, the available LTV is 55% in the Korean investment market.

GRAPH 13

Seoul office transaction volumes, Q1/2010–Q1/2017



Source: Savills Research & Consultancy

TABLE 15

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
T Tower	CBD	KRW188.7 bil/US$163.5 mil	IGIS AMC	Office
Booyoung Eulji Building (former Samsung Fire & Marine Insurance Building)	CBD	KRW438.0 bil/US$379.5 mil	Booyoung Group	Office
Samsung Taepyeongno Building	CBD	KRW230.0 bil/US$199.3 mil	IGIS AMC	Office
Ilsong Building	GBD	KRW127.2 bil/US$110.2 mil	KTB AMC	Office
Metro Building	GBD	KRW86.5 bil/US$74.9 mil	Mastern AMC	Office
Bareun	GBD	KRW77.7 bil/US$67.3 mil	IGIS AMC	Office
Booyoung Songdo Tower (former Posco E&C Tower)	Other	KRW300.0 bil/US$259.9 mil	Booyoung Group	Office

Source: Savills Research & Consultancy

Taiwan

Cynthia Chu
Managing Director
Savills Taiwan
+886 2 8789 5828
cchu@savills.com.tw

Erin Ting
Associate Director
Research
+886 2 8789 5828
eting@savills.com.tw

Taiwan's GDP growth reached 1.5% in 2016, increasing from 0.72% last year due to the improving figures in private consumption, investment and export. As the global economy is expected to perform better than last year, the Accounting and Statistics Department has increased the forecast of Taiwan GDP growth in 2017 by 0.05% to 1.92%, the highest growth since 2015. In the residential market, owing to the apparent price correction and the trend led by developers to lower the asking price in order to reduce their inventory, we have seen a bounce-back in transaction activities in the first quarter. The total transaction number in the six major cities has grown by 41% year-on-year (YoY), with New Taipei City recording the largest increase of 69% YoY, followed by Taichung City (37% YoY).

Q1/2017 saw 12 major transactions with a total value of NT$11 billion, up by 41% YoY. The deals included 66% (approximately NT$7.3 billion) for self-occupied and 34% for investment purposes, suggesting that end-users continue to be the major participants in the commercial property market, and investors remained cautious, even though prices have already dropped an average of 5% to 10% .

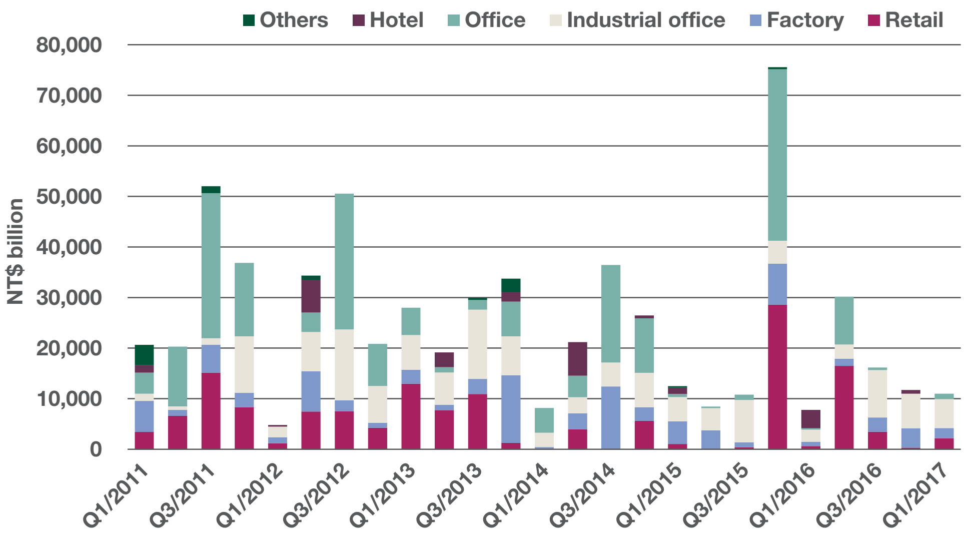
CyberPower Systems acquired the Prince Corporation Building, an en-bloc office building in the Neihu Technology Park, for NT$2.6 billion to be their headquarters, recording the largest deal in Q1/2017. The brand new building provides approximately 6,500 ping of office space, equivalent to around NT$500,000 per ping. The vendor, Prince Construction Company, completed this office development project, containing two office buildings, and disposed one of the office buildings to Pro-Partner Ltd., a bio-technology company, in 2013 for NT$3.25 billion, equivalent to NT$600,00 per ping. This transaction further proves that some large developers have made concessions on prices to boost sales.

Another notable deal was an en-bloc retail building in Ximending, the most popular shopping area in Taipei City, purchased by Edora Park Co. Ltd., a local retailer, for NT$2.2 billion, equivalent to around NT$10 million per ping for the ground floor. The retail building, located at the heart of the shopping area, provides a diversified tenant mix , including Gogoro electric scooters, telecommunication stores, restaurants and Holiday KTV, offering an estimated yield of above 2.6%.

For the rest of the year, we expect end-users will become more aggressive, especially in the Grade B office and industrial markets. Hotel and retail sectors remain in a downturn in terms of both prices and market activities, as China tourist numbers shrank significantly and retailers scaled back expansion plans.

GRAPH 14

Significant transactions by property type, Q1/2011–Q1/2017



Source: Savills Research & Consultancy

TABLE 16

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
En-bloc retail building in Ximending	Taipei City	NT$2.2 bil/US$72 mil	Edora Park	Retail
Prince Corporation Building	Taipei City	NT$2.6 bil/US$85 mil	CyberPower Systems	Industrial office
Tera Xtal Technology Hukou Industrial Office	Hsinchu County	NT$915 mil/US$30 mil	Darwin Precisions	Industrial office
U-Town (5/F-6/F)	New Taipei City	NT$1.2 bil/US$39 mil	St. Shine Optical	Industrial office

Source: Savills Research & Consultancy

Viet Nam

Neil MacGregor
Managing Director
Savills Viet Nam
+84 8 3823 4754
nmacgregor@savills.com.vn

Troy Griffiths
National Director
Research & Valuation
+84 8 3823 9205
tgriffiths@savills.com.vn

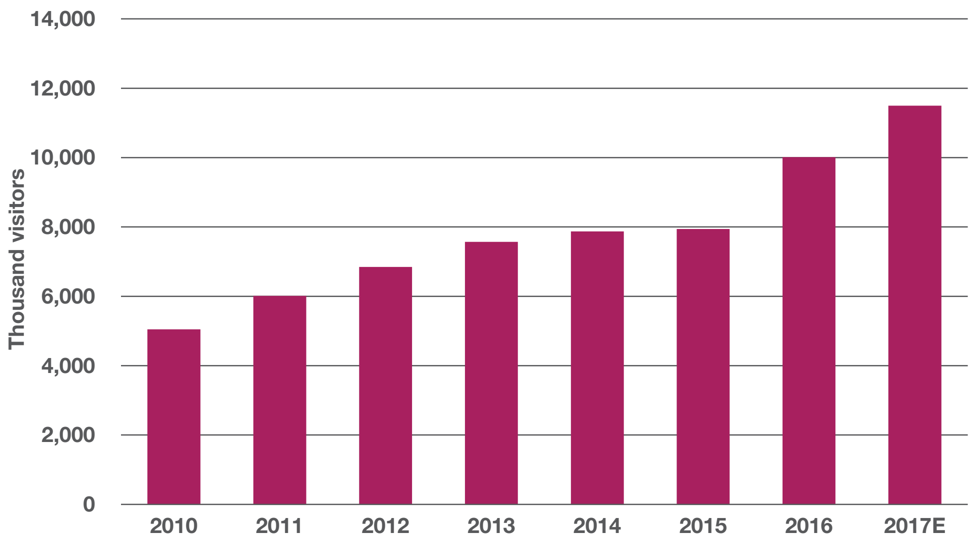
The property market in Viet Nam has seen dynamic investment activities across many sectors in the first quarter of 2017. One of the most significant deals was the acquisition of a 0.6-hectare commercial site in a prime location within Ho Chi Minh City's Central Business District by CapitaLand, to construct their first international Grade A mixed-use project in Viet Nam. The project will receive disbursements from a US$500 million fund targeting commercial assets in Viet Nam set up by the Singaporean developer in November last year. In the same quarter, CapitaLand announced the acquisition of a 90% stake in a 0.8-hectare project in Thao Dien, one of the most sought-after residential addresses in Ho Chi Minh City, to develop over 300 residential units. This movement was in line with CapitaLand's strategy to expand its residential development portfolio in Viet Nam.

Another Singaporean developer, Keppel Land, has paid VND846 billion (approximately US$37 million) to increase its stake by 16% in its mixed-use project Saigon Centre located in the heart of Ho Chi Minh City. In March 2017, Hongkong Land became a strategic partner of the HCMC Infrastructure Investment JSC (CII) in the development of residential projects in the locally-listed firm's land portfolio, including several hectares in the Thu Thiem New Urban Area. In another popular residential area of the city, An Gia Investment and Creed Group of Japan continued to acquire the remaining five apartment blocks of the La Casa project in District 7 from Van Phat Hung Group, for VND910 billion (approximately US$40 million).

In the hospitality sector, following the positive momentum in tourism, the Malaysia-based Berjaya Land has locked in the disposal of its 70% stake in a four-star resort property on Phu Quoc Island to Sulyna Hospitality for a total consideration of US$14.65 million. Viet Nam's tourism sector got off to a positive start this year, with approximately 3.2 million international arrivals in the first quarter, an increase of 29% year-on-year. This follows the record number of tourists, over 10 million, arriving in 2016, and the country is expected to welcome 11.5 million international tourists by the end of 2017. Coastal destinations play a key role in drawing in the majority of these visitors from a broad cross-section of source countries. The country is working toward fully harnessing its rich tourism potential in the coming years, as development of the tourism industry has now been made the number one priority for the government.

GRAPH 15

International visitors to Viet Nam, 2010–2017E



Source: Savills Research & Consultancy

TABLE 17

Major investment transactions, Jan–Mar 2017

Property	Location	Price	Buyer	Usage
Thao Dien Plot (90% interest)	Ho Chi Minh City	VND161 bil/US$7.1 mil	CapitaLand	Residential
CBD development site	Ho Chi Minh City	NA	CapitaLand	Mixed-use
La Casa	Ho Chi Minh City	VND910 bil/US$40 mil	An Gia Investment & Creed Group	Residential
Long Beach Resort Phu Quoc (70% interest)	Phu Quoc	VND332 bil/US$14.65 mil	Sulyna Hospitality	Resort
Saigon Centre (16% interest)	Ho Chi Minh City	VND845.9 bil/US$37.1 mil	Keppel Land	Mixed-use

Source: Savills Research & Consultancy

Australia

World Trade Centre
Docklands
AU$267.5M/US$204.5M
in February

839 Collins Street
Docklands
circa AU$430.0M/US$328.7M
in January

82 Waterloo Road
Macquarie Park
AU$120.0M/US$91.7M
in January

15 Blue Street
North Sydney
AU$168.0M/US$128.4M
in March

69 Sargents Road
Minchinbury
AU$161.0M/US$123.1M
in February

Beijing/Shenzhen

Jia Nan Plaza
Fentai district, Beijing
RMB658M/US$95.33M
in March

Sanquan Apartment
Chaoyang, Beijing
RMB643M/US$94M
in February

Equity Square
Boa'an district, Shenzhen
RMB220M/US$31.86M
in January

Tagen Mingyuan (1/F-4/F)
Futian district, Shenzhen
RMB419M/US$60.68M
in March

Major transactions Q1 2017

Shanghai

◀ **Xuhui Vanke Centre Phase 2**
Xuhui
RMB2.72B/US$394.1M
in February

◀ **Graceland International Hotel**
Huangpu
RMB610M/US$88.5M
in March

◀ **Poly Greenland Square (B1/C1-C2)**
Yangpu
RMB1.6B/US$232.2M
in February

◀ **Silver Court**
Huangpu
RMB3.5B/US$507.9M
in March

Rainbow City - Hall of the Moon ▶
Hongkou
RMB498M/US$72.3M
in March

Hong Kong

◀ **Zung Fu Aberdeen Garage**
Wong Chuk Hang
HK$1.56B/US$201.3M
in March

◀ **Newton Place Hotel**
Kwun Tong
HK$2.3B/US$296.8M
in February

1-5 Pollock's Path ▶
The Peak
HK$2.8B/US$361.3M
in February

Newton Inn ▼
North Point
HK$1.0B/US$129.0M
in February

▲ **Patina**
Kowloon City
HK$1.3B/US$167.7M
in March

11-12 Henderson Road ▶
Jardine's Lookout
HK$1.0B/US$129.0M
in January

Japan

Royal Parks Tower Minami-Senju
Arakawa, Tokyo
JPY21.9B/US$190M
in February

A-Place Shinagawa Higashi
Minato Ward, Tokyo
JPY18.8B/US$160M
in March

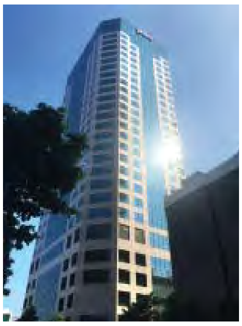
Sun Route Plaza Tokyo
Urayasu, Chiba
JPY26.8B/US$220M
in January

TOC Minatomirai
Yokohama, Kanagawa
JPY66.5B/US$580M
in March

MHI Yokohama Building
Yokohama, Kanagawa
JPY60.0B/US$530M
in March

Singapore

TripleOne Somerset (70% stake)
Somerset Road
S$880.6M/US$630.04M
in January



PWC Building
Cross Street
S$746.8M/US$534.31M
in February

GSH Plaza (about 229,000 sq ft of office space)
Cecil Street
S$663.5M/US$474.70M
in March

South Korea

Ilsong Building
GBD
KRW127.2B/US$110.2M
in March

Booyoung Eulji Building
CBD
KRW438.0B/US$379.5M
in January

Samsung Taepyeongro Building
CBD
KRW230.0B/US$199.3M
in January

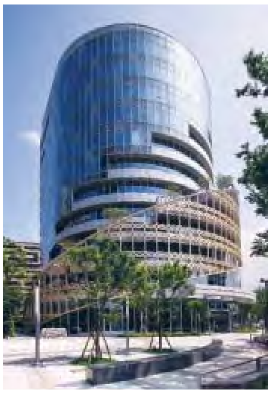
T Tower
CBD
KRW188.7B/US$163.5M
in January

Taiwan

Tera Xtal Technology Hukou Industrial Office
Hsinchu County
NT$915M/US$30M
in March

U-Town (5/F and 6/F)
New Taipei City
NT$1.2B/US$39M
in March

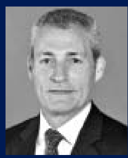
Prince Corporation Building
Taipei City
NT$2.6B/US$85M
in February



En-bloc retail building in Ximending
Taipei City
NT$2.2B/US$72M
in January

Savills Regional Investment Advisory, Asia Pacific

Regional Investment Advisory
Frank Marriott
Email: fmarriott@savills.com.hk
Tel: +852 2842 4475
23/F, Two Exchange Square, Central, Hong Kong



Regional Research and Consultancy
Simon Smith
Email: ssmith@savills.com.hk
Tel: +852 2842 4573
23/F, Two Exchange Square, Central, Hong Kong

ASIA

China
Raymond Lee
Email: rlee@savills.com.hk
Tel: +852 2842 4518

Albert Lau
Email: albert.lau@savills.com.cn
Tel: +8621 6391 6696
Unit 2501-13, Two ICC,
No. 288 South Shanxi Road,
Shanghai 200031, PRC

Steve Chen
Email: steve.chen@savills.com.cn
Tel: +8621 6391 6688
Unit 2501-13, Two ICC,
No. 288 South Shanxi Road,
Shanghai 200031, PRC

With offices in Chengdu, Chongqing, Dalian, Guangzhou, Hangzhou, Nanjing, Qingdao, Shenyang, Shenzhen, Tianjin, Xiamen, Xi'an and Zhuhai

Hong Kong SAR
Raymond Lee
Email: rlee@savills.com.hk
Tel: +852 2842 4518
23/F, Two Exchange Square, Central, Hong Kong

With offices in Tsim Sha Tsui and Kowloon Tong

Macau SAR
Franco Liu
Email: fliu@savills.com.mo
Tel: +853 2878 0623
Suite 1309-10, 13/F Macau Landmark,
555 Avenida da Amizade, Macau

Indonesia
PT Savills Consultants Indonesia
Jeffrey Hong
Email: jeffrey.hong@savills.co.id
Tel: +62 21 293 293 80
Panin Tower - Senayan City, 16th floor, Unit C, Jl. Asia Afrika Lot. 19, Jakarta 10270, Indonesia

Japan
Christian Mancini
Email: cmancini@savills.co.jp
Tel: +81 3 6777 5150
15/F Yurakucho ITOCiA, 2-7-1 Yurakucho,
Chiyoda-ku, Tokyo 100-0006, Japan

Korea
K. D. Jeon
Email: kdjeon@savills.co.kr
Tel: +822 2124 4101
13/F, Seoul Finance Center, 84 Taepyungro-1-ga, Chung-gu, Seoul 100-768, Korea

Malaysia
Christopher Boyd
Email: chris.boyd@savills.com.my
Tel: +60 3 2092 5955
Level 9, Menara Milenium, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia

With 2 branches throughout Malaysia

Phillipines
KMC MAG Group
Michael McCullough
Email: michael@kmcmaggroup.com
Tel: +632 403 5519
8/F Sun Life Centre, 5th Ave,
Bonifacio Global City 1634, Philippines

Singapore
Christopher Marriott
Email: cjmarriott@savills.asia
Tel: +65 6415 7582
30 Cecil Street, #20-03 Prudential Tower,
Singapore 049712

Taiwan
Cynthia Chu
Email: cchu@savills.com.tw
Tel: +886 2 8789 5828
21F, Cathay Landmark,
No. 68, Sec. 5, Zhongxiao E. Road,
Xinyi District, Taipei City 110, Taiwan

With an office in Taichung

Thailand
Robert Collins
Email: rcollins@savills.co.th
Tel: +66 2 636 0300
26/F, Abdulrahim Place, 990 Rama IV Road,
Bangkok 10500, Thailand

Viet Nam
Neil MacGregor
Email: nmacgregor@savills.com.vn
Tel: +84 8 3823 9205
18/F, Fideco Tower, 81-85 Ham Nghi Street,
District 1, Ho Chi Minh City, Viet Nam

With an office in Ha Noi

AUSTRALASIA

Australia
Paul Craig
Email: pcraig@savills.com.au
Tel: +61 2 8215 8888
Level 25, Governor Phillip Tower, 1 Farrer Place,
Sydney, Australia

Offices throughout Sydney, Parramatta, Canberra, Melbourne, Notting Hill, Adelaide, Perth, Brisbane, Gold Coast and Sunshine Coast

New Zealand
Paddy Callesen
Email: pcallesen@savills.co.nz
Tel: +64 9 951 5910/+64 9 951 5911
Level 8, 33 Shortland Street, Auckland,
NZ 1010, New Zealand

NORTH AMERICA
Savills Studley
Woody Heller
Email: wheller@savills-studley.com
Tel: +1 212 326 1000
399 Park Avenue, 11th Floor, New York,
NY 10022

LATIN AMERICA
Borja Sierra
Email: bsierra@savills.com
Tel: +44 20 7409 9937
Finsbury Circus House, 15 Finsbury Circus,
London EC2M 7EB, United Kingdom

UNITED KINGDOM & EUROPE
Phillip Garmon-Jones
Email: pgarmonjones@savills.com
Tel: +852 2842 4252
23/F Two Exchange Square, Central, Hong Kong

Offices throughout the United Kingdom, Belgium, France, Germany, Hungary, Italy, Netherlands, Poland, Spain and Sweden
Associate offices in Austria, Greece, Norway, Portugal, Russia, Turkey and South Africa